MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)
University Examinations for 2015/2016 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT SCIENCES

FIRST SEMESTER EXAMINATION FOR DIPLOMA IN ACCOUNTANCY

DACC 101: FOUNDATION OF ACCOUNTING

Date: 1/8/2016 **Time: 11:00 – 1:00 pm**

INSTRUCTIONS

Answer Question One and any Other Two Questions

QUESTION ONE

Given that prudence is the main consideration, discuss under what circumstances, if any, revenue might be recognized at the following stages of a sale.

a) i) Goods have been acquired by the business, which it confidently expects to resell very quickly.

ii) A customer places a firm order for goods.

iii) Goods are delivered to the customer.

iv) The customer is invoiced for goods.

v) The customer pays for the goods. (10 marks)

b) You are to enter up the sales journal from the following details. Post the items to the relevant accounts in the sales ledger and then show the transfer to the sales account in the general ledger.

2003

Mar	1	Credit sales to J Gordon	£1,870	
“	3	Credit sales to G Abrahams	£1,660	
“	6	Credit sales to V White	£120	
“	10	Credit sales to J Gordon	£550	
“	17	Credit sales to F Williams	£2,890	
“	19	Credit sales to U Richards	£660	
“	27	Credit sales to V Wood	£280	
“	31	Credit sales to L Simes	£780	(20 marks)

QUESTION TWO

a) Define the following accounting concepts and for each explain their implication in the preparation of financial statements.

(i) The Going concern concept (4 marks)

(ii) Business entity concept (4 marks)

(iii) Materiality (4 marks)

(iv) Realization (4 marks)

b) Two accounting concepts or conventions could clash or there could be inconsistency between them. Give two examples of such situations and explain how the inconsistency should be resolved. (4 marks)

QUESTION THREE

a) Explain the four reasons why capital changes and their effect on the end year capital balance (8 marks)

b) Calculate the profit for the year ended 31 December 2001 from the following information (12 marks)

Non Current Assets	01.01.2001	31.12.2001
	£	£
Property	20,000.00	20,000.00
Machinery	6,000.00	9,000.00
	26,000.00	29,000.00
Current Assets:		
Debtors		8,000.00
	4,000.00	
Cash	1,000.00	1,500.00
	5,000.00	9,500.00
Current Liabilities:		
Creditors	5,000.00	3,000.00
Overdraft	6,000.00	9,000.00
	11,000.00	12,000.00
Net Current Liabilities	(6,000.00)	(2,500.00)
Net Assets	20,000.00	26,500.00

Drawings during the year amounted to £4,500.00

Additional capital introduced by the owner £5,000.00

QUESTION FOUR

Matunda C.J has the following items in his balance sheet as on 30 June 2002.

Capital £41,800, Creditors £3,200, Fixtures £7,000, Motor Vehicles £8,400, Stock of goods £9,900, Debtors £6,500, Cash at bank £12,900 and Cash in hand £240.

During the first week of July 2002:

a. He bought extra stock of goods £1,540 on credit.

b. One of the debtors paid him £560 in cash.

c. He bought extra fixture by cheque £2,000.

You are to draw up a balance sheet as on 7 July 2002 after the above transactions have been completed. 20 marks

QUESTION FIVE

a) Explain the meaning of depreciation as used in accounting (4 marks)

b) Explain four Causes of Depreciation (16 marks)