MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

FOURTH YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF COMMERCE

SIT 412: ACCOUNTING INFORMATION SYSTEM

DATE: 26/9/2019 **TIME: 11:00 – 1:00 PM**

INSTRUCTIONS: Attempt Question One and any other Two Questions

1. a) List users of accounting information and briefly explain their interest in the information. (10 marks)

   b) Differentiate between personal accounts and impersonal accounts giving examples. (2 marks)

   c) Highlight and briefly explain Four errors that do not affect the agreement of a trial balance. (8 marks)

   d) Source documents play a very important role in capturing financial data for any accounting transactions. Identify any five source documents stating the importance of each. (10 marks)

QUESTION TWO

a) From the following trial balance of P Boones for the year ended 30 September 2017

	Dr	Cr
	Shs	Shs
Stock 1 October 2016	23,680	
Carriage outwards	2,000	
Carriage inwards	3,100	

Returns inwards	2,050	
Returns outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures and fittings	3,500	
Debtors	38,960	
Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital		126,360
	332,890	332,890

Required

i. Prepare an income statement for the year ended 30 September 2017 and (10 marks)

ii. Statement of financial position for the year ending 30 September 2017 (10 marks)

QUESTTION THREE

Dada Lil, a sole trader has prepared the following balance as at 31 March 2017

	SHS
Sales	378,500.00
Discount Received	2,400.00
Rent Received	7,500.00
Returns outwards	7,700.00
Creditors	18,700.00
Bank Overdraft	30,000.00
Capital	287,500.00
Purchases	261,700.00
Salaries and Wages	45,700.00
Office expenses	8,400.00
Insurance premiums	3,100.00
Electricity	1,600.00
Stationery	6,200.00
Advertising	8,400.00
Telephone	2,100.00
Business Rates	7,500.00
Discounts allowed	600.00
Returns Inwards	4,100.00
Stocks as at 1 April 2000	120,600.00
Warehouse, shop and office	210,000.00
Fixtures and fittings	12,800.00
Debtors	13,000.00
Cash in till	500.00
Drawings	26,000.00

The following further information was obtained:

- Closing stock wasShs102,500.00
- Electricity charges accruedShs700.00
- Advertising expenses accruedShs500.00
- Insurance premiums paid in advanceShs900.00
- Business rates prepaidShs1,500.00

Required:

i. Prepare a trial balance as at 31 march 2016. (6 marks)
ii. Income statement for the year ended 31 March 2016. (7 marks)
iii. Statement of Financial Position as at that date. (7 marks)

QUESTION FOUR

Muthusi is a businessman operating a retail business in a small town. Due to the size of his business, he is not able to employ a qualified accountant on a permanent basis.

The following information was extracted from the books of the business as at 31 October 2016:

	Shs.
Freehold property (cost)	600,000
Motor vehicles (NBV)	750,000
Furniture and fixtures (NBV)	240,000
Stock	390,000
Trade debtors	500,000
Bank overdraft	60,000
Trade creditors	380,000
Accruals	15,000
10% loan	600,000
Provision for doubtful debts	25,000

The following transactions took place during the financial year ended 31 October 2017:

1. Sales and purchases on credit amounted to Sh.2,080,000 and Sh.1,900,000 respectively.

2. The following transactions were carried out through the bank account:

	Shs.
Sales – Cash	720,000
Purchases – Cash	240,000
Payments to trade creditors	1,940,000
Purchase of furniture	200,000
Salaries and wages	160,000
Lighting	65,000
General expenses	35,000
Interest on loan	30,000
	60,000
Drawings	
Repayment of loan on 30 April 2017	100,000
Collections from trade debtors	1,890,000
Proceeds from sale of motor vehicle	120,000

3. The business depreciates motor vehicles at 20% per annum on a reducing balance basis. A full year's depreciation is provided on a motor vehicle acquired in the course of the year and no depreciation is provided on a motor vehicle disposed of in the course of the year.

   The motor vehicle sold in the year had been purchased at Sh.250,000 and an accumulated depreciation of Sh.122,000 had been provided on it at the time of disposal.

4. Furniture is depreciated at 10% per annum on cost and in proportion to the period used in the year. The additional furniture was purchased on 1 May 20903 while the cost of furniture held on 31 October 2016 was Sh.400,000
5. Loan interest paid was for one-half year up to 30 April 2017
6. The business received discounts of Sh.40,000 and allowed discounts of Sh.70,000 during the year.
7. Bad debts of Sh.20,000 were written off. Provision for doubtful debts is to be maintained at 5% of the debtor's balance at the end of the year.
8. Accruals are in respect of lighting and on 31 October 2017, the amount accrued was Sh.19,000
9. Muthusi's business obtains a normal gross profit rate of 25% on selling price.

Required:

(i) Income Statement for the year ended 31 October 2017 (10 marks)

(ii) Statement of Financial Position as at 31 October 2017. (10 marks)

QUESTION FIVE

The accounting profession has for a long time relied on certain accounting conventions to guide accounting practice. Yet the application of the sane conventions has been the source of criticism of the quality and relevance of information contained in financial reports.
Some of these conventions include:

(a) The business entity principle.

(h) The historical cost principle.

(c) The monetary principle.

(d) The matching principle.

(e) The conservatism principle.

Required:

For each of the principles listed above:

(a) Explain its meaning. (10 marks)

(b) Justify its use. (5 marks)

(c) Explain any weaknesses associated with its use. (5 marks)