MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF INFORMATION TECHNOLOGY

SIT 412: ACCOUNTING INFORMATION SYSTEM

DATE: **TIME:**

INSTRUCTIONS: Attempt Question One and any other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

a) Identify ten users of accounting information and explain why the need it. (10 marks)
b) Identify and explain the purpose of books of original entry. (5 marks)
c) Differentiate between fraud and error. (5 marks)
d) The trial balance of Zach Ltd. as at 3I December 2017 was as follows:

	Sh.	**Sh.**
Share capital		200,000
Purchases and Sales	1,220,000	2,000,000
Debtors and Creditors	400,000	140,000
Profit and loss 1 January 2017		380,000
Sales returns	40,000	
Buildings at cost	800,000	
Plant at cost	1,000,000	
Provision for depreciation:		
Plant		400,000
Buildings		40,000
Purchases returns		80,000
Selling expenses	140,000	
Bank		160,000
10% Bank Loan		600,000
Stock 1 January 2014	300,000	
Provision for bad debts		20,000
Operating expenses	180,000	
Administrative expenses	140,000	
Suspense account		200,000
	4,220,000	4,220,000

Additional information:

1. Stock at 31 December 2017 was Sh.360,000.
2. Sales returns of Sh.20,000 have been entered in the sales day book as if they were sales. When this error was discovered, the debtors account had been corrected but the sales figure was not rectified.
3. A debtor of Sh.20,000 has been declared bankrupt. A general provision is required at 5% of debtors.
4. Rates of Sh.30,000 paid in December covering half year to 31 March 2018 have not been entered in the books.
5. Bank Loan interest has not been paid.
6. Depreciation on plant is at 10% on cost and buildings at 2% on cost.

Required:

i) Income statement for the year ended 31December2017. (5 marks)

ii) Statement of financial position as at 3 1 December 2017. (5 marks)

QUESTION TWO (20 MARKS)

a) Discuss the importance of computerized accounting to an organization. (8 marks)

b) On 1st June 2016, James had cash at hand Sh. 7,800 and sh 43 400 cash in the bank .During the month, the following transactions took place:-

June 2 Cash sales Sh. 6 500 paid direct into the bank.
June 5 Purchased goods Sh. 15 000 and paid by cheque
June 6 Debtor Amina paid her account of sh. 18 000 less 8% discount by cheque.
June 7 Cash sales sh 50 000
June 12 Paid insurance premium sh.16000 in cash
June 15 Paid creditor Kennedy by cheque sh .9700 in full settlement of his account less 3% cash discount.
June 16 Peter paid sh.6 000 in cash after being allowed sh.300 cash discount
June 19 Deposited sh. 30 000 cash into the businessbank .
June 20 paid casual cleaners sh. 2 000 by cheque
June 22 Received a cheque of sh. 23 750 from Rael in full settlement of her account less 5% cash discount
June 23 Cheque received from debtor Amina was dishonoured
June 25 Paid Mela stores sh.4 214 by cheque having been allowed 2% discount
June 27 Paid salaries sh. 20,000 in cash
June 30 Banked all the cash except sh.3000

Prepare a three column cashbook duly balanced. (12 marks)

QUESTION THREE (20 MARKS)

The following trial balance has been extracted from the ledger of Mr Yousef, a sole trader.

Trial Balance as at 31 May 2017

	Dr	Cr
	SHS	SHS
Sales		138,078
Purchases	82,350	
Carriage	5,144	
Drawings	7,800	
Rent, rates and insurance	6,622	
Postage and stationery	3,001	
Advertising	1,330	
Salaries and wages	26,420	
Bad debts	877	
Provision for doubtful debts		130
Debtors	12,120	
Creditors		6,471
Cash in hand	177	
Cash at bank	1,002	
Stock as at 1 June 2016	11,927	
Equipment		
at cost	58,000	
Accumulated depreciation		19,000
Capital	-	53,091
	216,770	216,770

The following additional information as at 31 May 2017 is available:

a) Rent is accrued byShS210.

b) Rates have been prepaid byShS880.

c) Sh.S2,211 of carriage represents carriage inwards on purchases.

d) Equipment is to be depreciated at 15% per annum using the straight line method.

e) The provision for doubtful debts to be increased byShS40.

f) Stock at the close of business has been valued atShS13,551.

Required:

i) Prepare an income statement for the year ending 31 May 2017. (10 marks)
ii) Prepare a statement of financial position as at 31 May 2017. (10 marks)

QUESTION FOUR (20 MARKS)

a) Explain the meaning of the following errors.
   i) Compensating errors. (2 marks)
   ii) Omission errors. (2 marks)
   iii) Commission errors. (2 marks)
   iv) Error of principle. (2 marks)
   v) Error of original entry. (2 marks)

b) Mr Chai has been trading for some years as a wine merchant. The following list of balances has been extracted from his ledger as at 30 April 2017, the end of his most recent financial year.

	Shs
Capital	83,887
Sales	259,870
Trade creditors	19,840
Returns out	13,407
Provision for doubtful debts	512
Discounts allowed	2,306
Discounts received	1,750

Purchases	135,680
Returns inwards	5,624
Carriage outwards	4,562
Drawings	18,440
Carriage inwards	11,830
Rent, rates and insurance	25,973
Heating and lighting	11,010
Postage, stationery and telephone	2,410
Advertising	5,980
Salaries and wages	38,521
Bad debts	2,008
Cash in hand	534
Cash at bank	4,440
Stock as at 1 May 2016	15,654
Trade debtors	24,500
Fixtures and fittings – at cost	120,740
Provision for depreciation on	
Fixtures and fittings – as at 30 April 2017	63,020
Depreciation	12,074

The following additional information as at 30 April 2017 is available:

(a) Stock at the close of business was valued at Shs 17,750.

(b) Insurances have been prepaid by Shs 1,120.

(c) Heating and lighting is accrued by Shs 1,360.

(d) Rates have been prepaid by Shs 5,435.

(e) The provision for doubtful debts is to be adjusted so that it is 3% of trade debtors.

Required: Prepare Mr Chai's Trail Balance as at 30th April 2017. (10 marks)

QUESTION FIVE (20 MARKS)

a) Identify **five** qualitative characteristics of accounting information and describe how **each** enhances usefulness of financial information. (10 marks)

b) Source documents are used to capture transaction information. Identify any **Ten** documents and state the purpose of each. (10 marks)