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**University Examinations 2015/2016**

FIRST YEAR, FIRST SEMESTER EXAMINATION FOR THE CERTIFICATE IN BUSINESS ADMINISTRATION, CERTIFICATE IN PURCHASING AND SUPPLIES MANAGEMENT.

**BFE 1103: FUNDAMENTALS OF ACCOUNTING**

**DATE: AUGUST 2016 TIME: 11/2 HOURS**

**INSTRUCTIONS: -** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. State and explain nay users of accounting information. (5 marks)
2. Dr. Gitonga started a business as at April 1st 2011 with cash shs. 50,000. The following transactions took place during April 19th 2010.

April 1: Opened a bank account with Co-operative paying in shs. 45,000

April 2: Bought goods for shs. 5,000 and paid by cheque shs. 10,000

April 3: Bought motor vehicle and paid by cheque shs. 20,000

April 5: Bought goods for shs. 5,000 and paid by cheque

April 7: Sold goods for cash shs. 2,000

April 10: Paid expenses shs. 500 in cash

April 15: Sold goods and received a cheque for shs. 3,500

April 16: Paid cash into bank shs. 2,000

April 17: Bought goods for cash shs. 1,500

April 20: Paid wages to an assistant shs. 1,000 in cash.

April 22: Cashed cheque for office cash shs. 1,500

April 30: Paid expenses shs. 800 in cash

**Required:**

Calculate two column cash book. (10 marks)

1. Explain the following terms as used in accounting. (5 marks)
2. Invoice
3. Cash sale
4. Statement of account
5. Debit note
6. Remittance advice note
7. A smith, whose financial position on March 1st 2010 is as below, decides to open a set of books, show the journal entries. (10 marks)

 Kshs.

Cash in hand 1,500

Cash at bank 12,000

Furniture & Fittings 25,000

Stock of goods 18,000

**Debtors**

P. Black 1,800

R. Robert 2,300

**Creditors**

1. James 2,100

CAPITAL 58,500

**QUESTION TWO (20 MARKS)**

1. The following trial balance of Mr. John enterprises as at 31st December, 2013 is as follows:

 DR CR

 Ksh’000’ Ksh’000’

Sales 252,500

Purchases 148,800

Advertising 5,400

Telephone 3,700

Stock 1st Jan 2013 12,350

Salaries & wages 46,000

Electricity 3,000

Rent 2,000

General expenses 4,700

Land & buildings 100,000

Furniture 30,000

Motor vehicles 21,500

Debtors 23,850

Cash 125

Creditors 12,041

Capital 136,425

 401,425 401,425

The stock as at 31st December 2013 was valued at shs. 16,300,000.

**Required:**

Calculate trading, profit and loss account for the year ended 31st December 2013 and the balance sheet as at 31st December 2013. (15 marks)

**QUESTION THREE (20 MARKS)**

Mr. Muthama started a business on 1st March 2007. The transactions for the month of March are given below:

March 1: started business with shs. 50,000 of which sh. 20,500 is deposited into bank.

 2: bought furniture for cash sh. 5,500 and a computer for sh. 8,500

 4: purchased goods for cash sh 14,500

 6: sold goods for cash sh. 8,500

 8: purchased goods from Bamburi Co. Ltd, sh 11,500 on credit

 9: paid office rent for the year by cheque sh 500

 10: bought one fax machine for sh, 2,500 from fax machine company on credit

 11: sold goods to Kionga for sh 12,500

 12: sold goods to Kamau for sh. 2,500 in cash

 13: amount withdrawn for personal use sh 2,500

 15: withdraw from bank for office use sh 3,500

 18: received from Kionga cash sh 11,900 and allowed him discount of sh 600.

 20: deposited into the bank sh 5,900

 25: goods worth sh 1,500 returned to Bamburi Co. Ltd and the balance settled by issuing a

 Cheque

 28: bought goods worth sh 3,000 from Kionga and supplied them to Babu for sh 3,500

 30: Babu returned goods worth sh 350, which in turn is returned to Kionga.

 31: paid cash for office expenses sh 500 and postage stamps sh 655.

**Required:**

Draw the journal entries for the transactions. (20 marks)

**QUESTION FOUR (20 MARKS)**

1. State and discuss in details the limitations of accounting information. (10 marks)
2. Meru slopes hotels offers hospitality services in Meru County, during the auditing realised that he does not keep proper records of his business transactions but he gives the following information as at 1st December 2000.

 Ksh.

Balance at bank 5,500

Debtors 2,880

Motor vehicles 1,970

Stock in trade 280,000

Bank overdraft 20,000

Furniture 25,000

Creditors 130,000

Cash on hand 108,000

I.C.D loan 5 years 80,000

Fittings 15,000

Fixtures 20,000

Prepaid wages 30,000

Accrued expenses 22,000

Required:

1. Prepare a balance sheet for Meru slopes hotel. (5 marks)
2. Determine operating capital for Meru slopes hotel (5 marks)

**QUESTION FIVE (20 MARKS)**

1. Fundamental accounting assumptions and accounting policies are key important to any company or organization. Discuss the following accounting assumptions and policies. (6 marks)
2. Going concern
3. Consistency
4. Accrual
5. Prudence
6. Substance over form
7. Materiality
8. Write the various accounts needed in the books of Karibuni Co. Ltd to record the following transactions. (14 marks)

2010

 May 1: opened business with sh 20,000 in the bank

 2: bought premises for cash sh 8,000

 5: bought motor van on credit from J. Smith sh 2,000

 7: bought goods from A. William for resale sh 800

 12: bought goods for cash sh 600

 13: sold goods for cash sh 600

 15: sold goods on credit to Main ash 700

 16: received a loan from bank sh 12,000

 17: paid by cheque to J. Smith

 20: paid wages and salaries sh 1,000

 21: received a cheque from Main ash 700

 30: paid sundry expenses by cheque sh 100