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**University Examinations 2015/2016**

FIRST YEAR, FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE, BACHELOR OF BUSINESS ADMINISTRATION AND BACHELOR OF COOPERATIVE MANANGEMENT

AND

THIRD YEAR, FIRST SEMESTEREXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN MATHEMATICS AND BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

AND

SECOND YEAR, FIRST SEMESTER SEMESTEREXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE ECONOMICS

**BFC3125/HRD 2115: FINANCIAL ACCONTING I**

**DATE: NOVEMBER 2015 TIME: 2 HOURS**

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

**QUESTION ONE (30 MARKS)**

Mr. Onyambu started a business on 1st August 2014. His transactions for the month of August were as follows:

2nd August, opened bank account and deposited Shs. 40,000 and retained Sh.10, 000 cash in hand.

3rd August paid rent in cash Sh. 3, 500.

4th August purchased goods on credit from Kisii lit Sh.36, 000.

6th August sold goods for cash Sh.58, 000

7th August purchased office, furniture Sh.2, 700 paying by cheque

9th August lodged Shs.25, 000 in the bank

10th Augut purchased goods Shs.20, 000 from KAF Ltd and paid half of the amount by cheque.

11th August, sold goods on, credit Shs.15000 to Matunda exports

12th August paid transport expenses cash Shs.2, 000

13th August Matunda exports returned some of the goods sold to them valued Shs.2, 000.

15th August received a cheque Shs.10, 000 from Matunda exporters in full settlement of their account.

17th August purchased goods on credit from K Ltd Sh.8, 900.

18th August sold goods on credit to CAR Ltd Shs.5, 300

19th August paid Kisii ltd Shs.16, 000 the balance being discount amount

20th August withdrew Shs.5, 000 from the bank for personal used

23rd bought goods Shs.8, 300 and paid by cheque

25th August sold goods for cash Shs.5, 600

26th August KAF Ltd by cheque less 5% cash discount.

27th August paid salaries Shs.4, 700 by cheque and water bills by cash Shs.500.

28th August purchased plant and machinery by cheque Shs.50, 000.

30th August purchased Motor Vehicle on credit from C.M.C Motors Shs.600, 000.

**Required:**

1. Open the necessary ledger accounts, and balance them off. (10 Marks)
2. Extract a trial balance for the month of August (10 Marks)
3. For each and every principles listed below, explain its meaning
4. The business entity principle (2 Marks)
5. The historical cost principle (2 Marks)
6. The monetary principle (2 Marks)
7. The matching principle (2 Marks)
8. The prudence principle (2 Marks)

**QUESTION TWO (20 MARKS)**

The following trial balance was extracted from the ledger of Mr. Mugambi a sole trader.

Trial balance 31st December 2014.

  **Sh.000 Sh.000**

Purchases and sales 82,350 138,078

Carriage 5,144

Drawings 7,800

Rent, Rates and Insurance 6,622

Postage and stationery 3,001

Advertising 1,330

Capital 53,091

Equipment at cost 58,000

Depreciation provision 19,000

Cash at bank 177

Debtors and Creditors 12,120 6,471

Stocks 11,927

Salaries and wages 26,420

Bad debts 877

Provision for bad debts 130

The following additional information was available:

1. The rates have been paid in advance by Shs.880,000
2. Carriage includes Shs.21, 211,000 for carriage inwards.
3. Equipments are to be depreciated at 15% p.a using straight hire method.
4. Rent outstanding Shs.210,000
5. The provision for bad debts to be increased by Shs.40,000
6. Closing stock was valued at Shs.13, 551,000.

**Required:**

1. Prepare a trading and profit/loss account for the year ended 31st December 2014 (10 Marks)
2. The balance sheet as that date (10 Marks)

**QUESTION THREE (20 MARKS)**

The following sets of information from the cash book summary and the bank statement for KLC enterprises for the month of July 2014.

1. Summary of cash book:

|  |  |  |  |
| --- | --- | --- | --- |
| **Receipts** | **Shs.000** | **Payments** | **Shs.000** |
| July 16th Keroche | 295,000 | July 1st balance b/d | 4,200,000 |
| July 20th Kimondo | 370,000 | July 6thMahoka | 184,000 |
| July 26th Obare | 195,000 | July 30th Motego | 160,000 |
| July 31st Balance c/d | 4,188,000 | July 30th Sospeter | 504,000 |
|  | **5,048,000** |  | **5,048,000** |

1. Summary of the bank statement:

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Dr.Shs.000** | **Cr.Shs.000** | **Balance** |
| July 1st balance B/d |  |  | 42,000 (OD) |
| July 10th Machoka | 184,000 |  | 438,4000 (OD) |
| July 16th 56234 |  | 295,000 | 408,9000 (OD) |
| July 20th Motego | 160,000 |  | 424,9000 (OD) |
| July 21st 56235 |  | 370,000 | 388,9000 (OD) |
| July 31st Cr.Transfer |  | 90,000 | 378,9000 (OD) |
| July 31st standing |  |  | 382,4000 (OD) |
| Orders | 35,000 |  |  |
| July 31st bank |  |  |  |
| Charges  | 20,000 |  | 384,4000 (OD) |

**Required:**

1. Explain the meaning of OD, (2 Marks)
2. Bank reconciliation statement (10 Marks)
3. Explain any four major reasons why business should do bank reconciliations (8 Marks)

**QUESTION FOUR (20 MARKS)**

1. Discuss any five major users of the accounting information (5 Marks)
2. Clearly explain the meaning of the terms Accruals and Pre-payment and show their accounting treatment. (5 Marks)
3. Must fixed assets depreciate when they are in use? Elaborate on this question explaining the causes of depreciations. (10 Marks)

**QUESTION FIVE (20 MARKS)**

1. Enter the following in three column cash book. Balance the cash book at the end of the Month and show the discount accounts in the general ledger. (15 Marks)

**2013 June**

1. Balance brought forward: Cash Shs.97, 000 Bank 2,186,000.
2. The following paid us by cheque in each case deducting 5% cash discount.

 Harrison Shs.1000, 000

 Waithera Shs.280, 000

 Peter Shs.180, 000

 Otuoma Shs.600, 000

1. Cash sales paid directly into the bank Shs.134,000
2. Paid rent by cash Shs.88,000
3. We paid the following accounts by cheque in each case deducting 2.5% discount.

 Charles Shs.400, 000

 Somba Shs.640, 000

 Sucrose Shs.200, 000

1. Withdrew cash from the bank for business use Shs.250,000

10. Cash sales Shs.206, 000

12. David paid us their account of Sh.89, 000 by cheque less Shs.2000 cash discount.

14. Paid wages by cash Shs.250, 000.

16. We paid the following accounts by cheque

 Waweru Shs.117, 000 Discount Shs.6, 000.

 Fredrick Shs.206, 000 Discount Shs.8000

20. Bought fixtures by cheque Shs.800, 000

24. Bought lorry pay by cheque Shs.7, 166,000

29. Received Shs.169, 000 cheque from Stephen.

30. Cash sales Shs.116, 000

30. Bought stationery paying by cash Shs.60, 000.

b) Explain any five use of a cash book to businesses (5 Marks)