



## **GARISSA UNIVERSITY COLLEGE**

*(A Constituent College of Moi University)*

**UNIVERSITY EXAMINATION 2016/2017 ACADEMIC YEAR ONE  
SECOND SEMESTER EXAMINATION**

**SUPPLEMENTARY/SPECIAL EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BHR 107**

**COURSE TITLE: PRINCIPAL OF ACCOUNTING I**

**EXAMINATION DURATION: 3 HOURS**

**DATE: 26/09/17**

**TIME: 02.00-5.00 PM**

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### **INSTRUCTION TO CANDIDATES**

- **The examination has FIVE(5) questions**
- **Question ONE (1) is COMPULSORY**
- **Choose any other THREE (3) questions from the remaining FIVE (5) questions**
- **Use sketch diagrams to illustrate your answer whenever necessary**
- **Do not carry mobile phones or any other written materials in examination room**
- **Do not write on this paper**

**This paper consists of EIGHT (8) printed pages**

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### QUESTION ONE (COMPULSORY)

- (a) Accounting information is prepared for consumption of various stakeholders. Briefly describe any five users of accounting information in each case specifying their information needs. **[10 marks]**
- (b) The following trial balance was extracted from the books of Kirimi Ltd. as at 31<sup>st</sup> December 2015.

#### Kirimi Ltd

#### Trial Balance

As at 31<sup>st</sup> Dec 2015

Dr.

Cr

	Shs.	Shs.
Capital		675,000
Inventory (1.1.2015)	52,500	
Plant and machinery (cost)	750,000	
Provision for depreciation		180,000
Motor vehicles (cost)	900,000	
Provision for depreciation		345,000
Purchases	720,000	
Sales		1,080,000
Returns	67,500	45,000
Salaries and wages	180,000	
Discounts	16,500	27,000
Carriage inwards	21,000	
Loan		450,000
Carriage outwards	9,000	



Postage and telephone	18,750	
Water and electricity	14,250	
Bad debts written off	15,750	
Provision for doubtful debts		4,500
General expenses	24,000	
Rent and rates	27,000	
Debtors	90,000	
Creditors		180,000
Bank		47,250
Cash	127,500	
	<b>3,033,750</b>	<b>3,033,750</b>

### Additional information

- i. Inventory as at 31<sup>st</sup> Dec 2015 was valued at shs. 78,000.
- ii. Provision for doubtful debts is to be increased by shs. 3,000
- iii. Rent owing as at 31<sup>st</sup> Dec 2015 was shs. 9,000 while prepaid rates was shs. 3,000 as at the same date.
- iv. Outstanding electricity expense was shs. 2,250.
- v. Depreciation is to be charged on reducing balance at the rate of 10% for plant and machinery and 20% for motor vehicles.

### Required

- i. Statement of comprehensive Income for the year ended 31<sup>st</sup> Dec 2015 **[9 marks]**
- ii. Statement of Financial Position as at that date **[6 marks]**



## QUESTION TWO

The trial balance of Raya Traders as at 31<sup>st</sup> December 2015 was given as follows:

Raya Traders

Trial balance

As at 31<sup>st</sup> December 2015

Shs.Shs	Dr.	Cr.
Inventory 1.1.2015: Raw materials	157,500	
: Finished goods	291,750	
: Work in progress	101,250	
Wages	2,437,500	
Royalties	52,500	
Carriage inwards(on raw materials)	26,250	
Purchases of raw materials	2,775,000	
Production machinery(cost shs. 2,100,000)	1,725,000	
Administration computers(cost shs. 150,000)	90,000	
General factory expenses	232,500	
Lighting	56,250	
Factory power	102,750	
Administration salaries	330,000	
Sales representatives salaries	225,000	
Rent	90,000	



Insurance	31,500	
Commission on sales	86,250	
General administrative expenses	100,500	
Bank charges	17,250	
Discounts allowed	36,000	
Carriage outwards	44,250	
Sales		7,500,000
Accounts receivable	1,067,250	
Accounts payable		480,000
Bank	126,000	
Cash	11,250	
Drawings	450,000	
Capital on 1.1.2015		2,683,500
	<b>10,663,500</b>	<b>10,663,500</b>

### Additional information

- i. Inventory on 31<sup>st</sup> December 2015: Raw materials shs. 180,000  
: Finished goods shs. 300,000  
: Work in progress shs. 112,500
- ii. Wages are apportioned into direct and indirect in the ratio 3:2 respectively.
- iii. Lighting, rent and insurance are to be apportioned to factory 5/6 and administration 1/6
- iv. Depreciation on production machinery and administration computers is both at 10% p.a on cost

### Required

- i. Combined Manufacturing and income statement for the year **[10 marks]**
- ii. Statement of financial position for the year **[5 marks]**



### QUESTION THREE

The balances and transactions affecting the control accounts of Jambo Traders for the month of June 2014 are listed below

	Shs
Balance on 1 <sup>st</sup> June 2014	
Debit Balances: Sales Ledger	4,561,500
Purchases	44,000
Credit Balances: Sales Ledger	105,500
Purchases Ledger	2,245,000
<b>Transaction During June 2014</b>	
Purchase on credit	9,067,500
Allowances from suppliers	314,500
Receipts from customers by cheque	13,685,000
Sales on credit	18,377,500
Discount received	552,500
Payments to creditors by cheque	7,706,500
Contra Settlements	1,523,000
Bills of exchange receivable	3,253,000
Allowances to customers	860,000
Customers dishonored cheques	244,500
Cash received from credit customers	2,100,500



Discount allowed		366,000
Balance of 30 <sup>th</sup> June 2014		
Sales Ledger (credit)		68,000
Purchases Ledger (debit)		33,500

**Required:**

- i. The Sales Ledger control accounts for the month of June 2014 **[8 marks]**
- ii. The Purchases Ledger control accounts for the month of June 2014 **[7 marks]**

**QUESTION FOUR**

Mwanaisha, a sole trader received her bank statement for the month of June 2016. At that date the bank balance was Sh. 706,500 whereas his cash book balance was Sh.2,366,500.

Her accountant investigated the matter and discovered the following discrepancies:

1. Bank charges of Sh.3, 000 had not been entered in the cashbook.
2. Cheques drawn by Mwanaisha totaling Sh.22, 500 had not yet been presented to the bank.
3. She had not entered receipts of Sh.26, 500 in her cashbook.
4. The bank had not credited MsMwanaisha with receipts of Sh.98, 500 paid into the bank on 30 June 2016.
5. Standing order payments amounting to Sh.62, 000 had not been entered into the cashbook.
6. In the cashbook Mwanaisha had entered a payment of Sh.74, 900 as Sh.79, 400.
7. A cheque for Sh.15, 000 from a debtor had been returned by the bank marked “refer to drawer” but had not been written back into the cashbook.
8. Mwanaisha had brought forward the opening cash balance of Sh.329, 250 as a debit balance instead of a credit balance.
9. An old cheque payment amounting to Sh.44, 000 had been written back in the cashbook but the bank had already honored it.
10. Some of Mwanaisha’s customers had agreed to settle their debts by paying directly into his bank account. Unfortunately, the bank had credited some deposits amounting to Sh.832, 500 to another customer’s account. However acting on information from her customers Mwanaisha had actually entered the expected receipts from the debtors in is cashbook.



**Required:**

- i. Mwanaisha's adjusted cashbook as at 30 June 2016. **[9 marks]**
- ii. A bank reconciliation statement as at 30 June 2016. **[6 marks]**

**QUESTION FIVE**

- (a) Describe any three types of discounts **[6 marks]**
- (b) A trial balance may balance even when there are errors. Briefly describe five errors that may not be revealed by a trial balance not to balance. **[9 marks]**

