



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

**A. M. E. C. E. A**

P.O. Box 62157  
00200 Nairobi - KENYA  
Telephone: 891601-6  
Fax: 254-20-891084  
E-mail: academics@cuea.edu

**MAIN EXAMINATION**

**JANUARY – APRIL 2014 TRIMESTER**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**REGULAR PROGRAMME**

**CAC 111: BASIC ACCOUNTING**

**Date: APRIL 2014**

**Duration: 2 Hours**

**INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions**

- Q1. a) “Financial statements and other accounting records are an important resource for stakeholders quality informed decision making...” Make a precise comment on this statement by briefly explaining the meaning of accounting and citing at least two internal and two external stakeholders alongside their information needs. **(7 marks)**
- b) Distinguish between sole proprietor, partnership and company as forms of business enterprise, giving special consideration to their formation, ownership, management and liability. **(6 marks)**
- c) The following is a trial balance of Wilkister traders on 31/3/2009:

	<b>DR SHS.</b>	<b>CR SHS</b>
Purchases and sales	762,000	1,399,000
Stock 1 April 2008	172,000	
capital 1 April 2008		240,000
Bank overdraft		145,000
Cash	3,000	
discounts	48,000	31,000
Returns Inwards	27,000	
Returns Outwards		19,000

Carriage Outwards	72,000	
Rent, Rates and Insurance	58,000	
Provision for bad debts		22,000
Fixtures and Fittings	40,000	
Delivery van	70,000	
Debtors and creditors	397,000	202,000
Drawings	96,000	
Wages and salaries	298,000	
General office expenses	<u>15,000</u>	
	<u>2,058,000</u>	<u>2,058,000</u>

The following additional information is also available:

- i) Stock on 31 March 2009 was Sh. 143,000.
- ii) Wages and salaries accrued at 31 March 2009 was Sh. 7,000.
- iii) Rates prepaid 31 March 2009 Shs. 6,000.
- iv) Increase the provision for bad debts by Sh. 5,000 to Sh. 27,000.
- v) Provide for depreciation as follows:  
Fixtures and fittings Shs. 4,000  
Delivery van Shs. 10,000

**Required:**

- a) Trading Account for the year ended 31 March 2009. **(4 marks)**
  - b) Profit and loss account for the year ended 31 March 2009. **(7 marks)**
  - c) Balance sheet as at 31 March 2009. **(6 marks)**
- Q2.
- a) Clearly explain the meaning of the term depreciation and indicate at least two of its causes. **(3 marks)**
  - b) A machine was bought on 1<sup>st</sup> January 2007 for Ksh. 2,800,000 and it is assumed that it will depreciate at the rate of 10% p.a.

**Required:**

You are to show the Depreciation Amounts, the Net Book Values and the Balance Sheet Extracts for each of the years 2007, 2008 and 2009 under each of the following methods:

- i) Straight – Line method **(4 marks)**
  - ii) Reducing balance method **(5 marks)**
- c) The information below relates to the business of Maristo traders:

Wages and salaries:	<b>Kshs.</b>
---------------------	--------------

1 <sup>st</sup> January 2010:	Accrued wages	59,000
	Prepaid salaries	71,000
	Wages and Salaries paid in 2010	394,000
31 <sup>st</sup> December 2010:	Accrued salaries	69,000
	Prepaid wages	28,000
Commission Revenue:		
1 <sup>st</sup> January 2010:	Accrued commissions	98,000
	Commissions received in Advance	67,500
	Commissions received in 2010	426,000
31 <sup>st</sup> December 2010:	Accrued Commissions	115,000
	Commissions received in advance	87,000

**Required:**

Record the above information in the following accounts and clearly indicate the amount to be posted to the profit and loss account for the year 2010:

- i) Wages and salaries account **(4 marks)**
- ii) Commissions received account **(4 marks)**

Q3. a) The following accounting errors were detected in the books of Tzadoaq merchants:

- A sale of goods for Shs. 74,000 was not recorded in the books.
- Furniture was brought for Shs, 58,000 and debited to purchases account.
- Sales account was overcast by 18,000 while cash account was overcast by 18,000.
- Cash payment to Ngong Traders of Shs. 46,000 was debited to cash and credited to Ngong traders .
- A sale of goods on credit to Noah Shs. 9,500 was entered in Moah account.
- A purchase of goods by cheque Kshs. 81,000 was entered in the books as Kshs. 18,000.

**Required:**

- i) State the accounting name of each of the above errors. **(3 marks)**
- ii) Show the Journal entries required to correct these errors. **(7 marks)**

- b) Below is a list of transactions undertaken by Karen traders in the month of February 2011:

Feb 1	Started business with 80,000 cash and 120,000 in bank
Feb 2	Borrowed 50,000 cash from a friend Ngongu
Feb 3	Bought goods on credit from Bomas 17,000
Feb 4	Bought office furniture 21,000 paying by cheque
Feb 5	Sold goods on credit to Rongai, 9,000
Feb 6	Sold goods for Cash 5,000
Feb 7	Borrowed 50,000 from the bank in cash.
Feb 8	Deposited 10,000 cash into the bank account.
Feb 9	Karen traders bought in additional capital of 65,000 and deposited it into the bank account.

**Required:**

- i) Record these transactions using double entry rules. **(3 marks)**
- ii) Balance – off the accounts **(3 marks)**
- iii) Extract a trial balance as at February 9, 2011. **(4 marks)**

- Q4. a) i) The following information relates to the banking issues of Jamal:

<b>31 December 2010</b>	<b>Shs.</b>
Credit transfers by the bank	90,000
Bank balance as per cash book	580,000
Several bank ledger fees	40,000
Cheques unpresented	35,000
Uncredited items	240,000

**Required:**

Draw up a bank reconciliation statement and clearly indicate the bank statement balance. **(6 marks)**

- ii) Explain precisely four circumstances that can make the cash book balance and the bank statement balance to differ, citing clear examples. **(4 marks)**

- b) Write up a three-column cash book from the following information:

<b>Jan 2011</b>	<b>Shs.</b>
Jan 1 Balances brought forward	
Cash	14,500

Bank	327,000
Debtors accounts:	
Omollo	60,000
Akinyi	140,000
Maina	20,000
Creditors accounts:	
Opiyo	30,000
Kamau	220,000
Mariko	50,000

Jan 2	Omollo paid us by cheque, deducting 2½ discount.
Jan 8	We paid Mariko his account by cheque, deducting 5% discount.
Jan 11	We withdrew Shs. 50,000 cash from the bank for office use.
Jan 16	Akinyi paid us her account by cheque, deducting, 2½% discount
Jan 25	We paid wages in cash Shs. 46,000
Jan 28	Maina paid us in cash, deducting 5% discount.
Jan 29	We paid Opiyo by cheque less 5% discount.
Jan 30	We paid Kamau by cheque less 2½% discount <b>(10 marks)</b>

**\*END\***