



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

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MAY – AUGUST 2021

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FACULTY OF SCIENCE

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DEPARTMENT OF COMPUTER AND INFORMATION SCIENCE

REGULAR PROGRAMME

DIT 001: BASIC ACCOUNTING

Date: AUGUST 2021

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and any other TWO Questions

**QUESTION ONE**

- a) i) Clearly state the accounting equation. (1marks)
- ii) Show the effects of the following transactions on the accounting equation.
- 1/12/18 The owner started the business with shs.50,000 cash
- 3/12/18 Received a bank loan amounting to shs20,000 cash
- 4/12/18 Deposited shs,25,000 cash into the business bank account
- 7/12/18 The owner withdrew shs2000 cash for his personal use
- 10/12/18 Bought stock worth shs 15,000 and paid by cheque. (5marks)
- iii) Clearly discuss the activities found in the accounting process. (3marks)
- iv) Clearly differentiate between management accounting and financial accounting. (4marks)
- b) i) Explain the term contra entry as used in accounting. (2marks)
- ii) Explain the term imprest system as used in petty cash book operations. (3marks)

c) Classify the following items in terms of liabilities and assets:

- (i) Motor vehicles
- (ii) Premises
- (iii) Debtors
- (iv) Loan from James
- (v) Machinery
- (vi) Stock
- (vii) Owing to Bank
- (viii) Creditors
  
- (ix) Bank overdraft
- (x) Intellectual Property

**(5marks)**

d) Differentiate between the following terms as used in accounting

i) Bad debts and provision for doubtful debts

ii) Accruals and prepayments

**(4marks)**

e) There are three types of ledger books, clearly identifying and discuss the contents of each ledger. **(3Marks)**

## QUESTION TWO

a) The following trial balance was extracted from the books of J.J Builders as at 31/12/2017.

Name of account	Debit Shs	Credit Shs
Sales		57,000
Opening stock 1/1/2017	12,000	
Purchases	26,000	
Dividend income		1,400
Carriage inwards	4,000	
Return inwards	3,000	
Rent income		2,000

Creditors		15,000
Cash	2,000	
Discount received		4,000
Furniture a/c	21,400	
Motor expenses	2,000	
Debtors	12,000	
Telephone expenses	1,000	
Capital a/c		9,000
Total	88,400	88,400

Additional information

- (i) Closing stock shs8,000
- (ii) Unpaid motor expenses as at 31/12/2017 shs1,000
- (iii) Prepaid electricity expense shs2,000 as at 31/12/2017
- (iv) Bad debts to be written off shs1,000
- (v) Receivable dividend income shs600 as at 31/12/2017

Required: Using the vertical format

- (i) Prepare a Trading and profit and loss account for the year ended 31/12/2017

**(8marks)**

- (ii) Prepare a Balance Sheet as at 31/12/2017

**(6marks)**

b) ) i) Define the term source document as used in accounting. Give at least two examples.

**(3marks)**

- ii) Discuss any three functions of source documents

**(3marks)**

**QUESTION 3**

a) The following transactions took place in Wafula's business during the month of August 2016.

- 1/8/16 He started business with Shs10,000 cash in hand and Shs.15,000 cash in the bank.
- 2/8/16 Bought furniture worth Shs.2,000 and paid by cheque.
- 3/8/16 Bought stock worth Shs7,000 on credit from Beatrice.
- 5/8/16 Bought stock worth Shs.1,500 and paid by cheque.
- 10/8/16 Made a part payment to Beatrice Shs2,000 using a cheque.
- 15/8/16 The owner converted a personal premises worth Shs12,000 into a business premises.
- 20/8/16 Received a cheque of Shs5,000 from Wamalwa as a loan.
- 23/8/16 Withdrew Shs2,000 cash from the business for own use.
- 30/8/16 Bought equipment worth Shs2,000 and paid by cheque.

Required:

- (i) Open the relevant ledger accounts and post the above transactions. **(5marks)**
- (ii) Balance off the accounts as at 31/0/16. **(4marks)**
- (iii) Prepare (extract) the Trial Balance as at 31/08/2016. **(5marks)**

b) Explain why each of the following groups may be interested in the financial statement of a business?

- (i) Creditors
- (ii) Potential investors
- (iii) Labour unions **(3marks)**

c) Explain the meaning of the following accounting terms giving an example in each case.

- (i) Double entry system
- (ii) Expenses
- (iii) Income **(3marks)**

#### QUESTION 4

a) State briefly the purpose and content of the following financial statements:

- (i) Balance Sheet (2marks)
- (ii) Trading and Profit and Loss Account (2marks)
- (iii) Trial Balance (2marks)

iv ) Write the two column cash book for a Pine furniture shop from the following details and balance off at the end of the month.

- 1/05/18 Started the business with capital in cash Shs,100000
- 02/05/18 Paid rent by cash shs.23000
- 03/05/18 G.Broad lent us Shs20,000, paid by cheque
- 04/05/18 We paid J Ford by cheque Shs.8600
- 07/05/18 Cash Sales shs1900
- 08/05/18 Hamisi paid us by cheque Shs3400
- 09/05/18 We paid Moore in cash Shs9200
- 11/05/18 Cash sales paid direct to bank shs15100
- 15/05/18 Harrison paid us in cash Shs9600
- 16/05/18 We took shs10000 cash and paid it into the bank account
- 19/05/18 We repaid Owino shs5000 by cheque
- 31/05/18 Paid wages by cash shs 3200

(14marks)

#### QUESTION 5

a) Explain the meaning of the following accounting errors giving an example of each case.

- (i) Error of principle

- (ii) Error of complete reversal of entries
- (iii) Compensating error
- (iv) Error of original entry
- (v) Complete omission error

**(10marks)**

b) Explain the meaning of the following accounting concepts

- (i) Accrual concept
- (ii) Going concern concept
- (iii) Materiality concept
- (iv) The money measurement concept
- (v) Consistency concept

**(10marks)**