



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

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JANUARY – APRIL 2014 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

ORDINARY DIPLOMA PROGRAMME

CAD 071: FOUNDATIONS OF ACCOUNTING

Date: APRIL 2014

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. From the following trial balance of T. Marsh draw up a trading and profit and loss account for the year ended 30 September 2013 and a balance sheet as at that date:

	Dr. Shs.	Cr. Shs .
Sales		18,600
Purchases	11,556	
Stock 1 October 2012	3,776	
Carriage outwards	326	
Carriage inwards	234	
Returns inwards	440	
Returns outwards		355
Salaries and wages	2,447	
Motor expenses	664	
Rent	456	
Rates	120	
Sundry expenses	1,202	
Motor vehicles	2,400	
Fixtures and fittings	600	
Debtors	4,577	
Creditors		3,045

Cash at bank	3,876	
Cash in hand	120	
Drawings	2,050	
Capital		<u>12,844</u>
	<u>34,844</u>	<u>34,844</u>

Stock at 30 September 2013 was Shs. 4,998. **(30 marks)**

Q2. a) Briefly explain the differences between sole proprietorship or sole trader, partnerships and a corporation or limited liability company. **(12 marks)**

b) Discuss the information needs of the following users of accounting or financial information:

- i) Business owners or shareholders
- ii) Management
- iii) Financial institutions

(8 marks)

Q3. You are to write up a three column cashbook for M. Kabicho from the details which follow. Then balance off at the end of the month and show the discount accounts in the general ledger. A folio column is not necessary.

2013

May 1 Balances brought forward: cash in hand Sh. 580. Bank overdraft Shs. 14,700

May 2 Kabicho pays further capital into the bank Shs. 10,000.

May 3 Bought office furniture by cheque Shs. 7,800.

May 4 Cash sales Sh. 2,200

May 5 Banked cash Shs. 2,000.

May 6 We paid the following by cheque in each case deducting 2½ percent cash discount: B. Ngundi Shs. 800; T. Tharao Shs. 2,400; M. Makungu Shs. 4,000.

May 8 Cash sales Shs. 5,000

May 12 Paid motor expenses in cash Shs. 770.

May 15 Cash withdrawn from the bank Shs. 4,000

May 16 Cash drawings Shs. 1,200

May 18 The following firms paid up their accounts by cheque, in each case deducting a 5 percent discount: E. Gichuki Shs. 800; B. Chemutai Shs. 1,400; D. Hombo Shs. 2,200.

May 20 Salaries paid in cash Shs. 2,100.

May 22	T. Kavingu paid us his account in cash Shs. 2,040.
May 26	Paid insurance by cheque shs. 1.500
May 28	We banked all the cash in our possession except for Shs. 200 in the cash till.
May 31	Bought motor van paying by cheque Shs. 49,200.

(20 marks)

Q4. J. Giteru's year ended on 30 June 2013. Write up the ledger accounts, showing transfers to the final accounts and the balances carried down to the next year for the following:

- a) Stationery: paid for the year to 30 June 2013 Shs. 8,550; stocks of stationery at June 30 2012 Shs. 2,900; at June 2013 Shs. 3,450.
- b) General expenses: paid for the year to 30 June 2013 Shs. 5,900; owing at 30 June 2012 Shs. 640; owing at 30 June 2013 Shs. 900.
- c) Rent and rates (combined account): paid in the year to 30 June 2013 Shs. 38,900; rent owing at 30 June 2012 Shs. 1,600; rent paid in advance at 30 June 2013 Shs. 2,500; rates owing 30 June 2012 Shs. 2,050; rates owing 30 June 2013 Shs. 3,600.
- d) Motor expenses: paid in the year to 30 June 2013 Shs. 47,500; owing as at 30 June 2012 Shs. 800; owing as at 30 June 2013 Shs. 3,750.
- e) Giteru earns commission from the sales of one item. Received for the year to 30 June 2013 Shs. 8,500; owing at 30 June 2012 Shs. 800; owing at 30 June 2013 Shs. 1,450.

(20 marks)

END