



# 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 2015 TRIMESTER**

**FACULTY OF LAW**

**EVENING PROGRAMME**

**CLS 415: COMMERCIAL ACCOUNTS**

<b>Date: April 2015</b>	<b>Duration: 2 Hours</b>
-------------------------	--------------------------

<b>INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions</b>
--

Q1. a) Define the following terms as used in financial accounting.

- i) Trial balance. **(2 marks)**
- ii) Accrual. **(2 marks)**
- iii) Subscription fee. **(2 marks)**

b) Highlight the usefulness of the following accounting concepts:

- i) Historical cost principle. **(2 marks)**
- ii) Materiality. **(2 marks)**

c) The following is the trial balance of Kauzi printing business as at 31<sup>st</sup> January 2015.

Trial Balance		
	Dr	Cr
Capital		16,000
Cash in hand	1200	
Cash at bank	4000	
Revenues		12500
Accounts receivable	3400	
Accounts payable		2100
Rent	5000	
Wages	6000	
Office equipment	4000	
Computing	7000	
	<b><u>30600</u></b>	<b><u>30600</u></b>

The following are transactions of Kauzi printing business during the month of February 2015.

Feb – 15

Feb 1<sup>st</sup> : Made additional investment into the business cash Kshs 50,000

Feb 4<sup>th</sup> : Offered printing services on account for Kshs 50,000

Feb 5<sup>th</sup> : Deposited Kshs 20,000 in the business same account.

Feb 7<sup>th</sup> : paid rent by cheque Kshs 5,000

Feb 9<sup>th</sup> : Purchase office equipment at credit worth Kshs 12,000

Feb 12<sup>th</sup> : Offered service for cash Kshs 7,500

Feb 13<sup>th</sup> : Debtors for transaction in Feb 4<sup>th</sup> paid half of their account by cheque.

Feb 20<sup>th</sup>: Accrued a donation of computer equipment worth Kshs 25,000 from systematic Ltd.

Feb 25<sup>th</sup> : Paid wages by cash Kshs 6,000

Feb 28<sup>th</sup>: Made part payment Kshs 7,000 for the office equipment bought on account.

Required:

- i) Record the transactions above in a general journal for the month of February. **(8 marks)**
  - ii) Open and post the journal entries into the relevant ledger accounts. **(8 marks)**
  - iii) Prepare a trial balance as at the end of February. **(4 marks)**
- Q2. a) Jackson Gathoni is the owner of his own business. On December 31<sup>st</sup> Gathoni's assets, liabilities, revenues and expenses were:

	Shs
Insurance expense	3,000
Rent expense	2,500
Salaries expenses	19,000
Supplies expenses	1,200
Services performed	45,000
Accounts payable	4,000
Accounts accruable	5,000
Cash	14,000
Equipment	11,000
Notes payable	4,000
Supplies and land	700

Required:

- i) Compute the total assets as at December 31<sup>st</sup>. **(2 marks)**
- ii) The net income as at December 31<sup>st</sup>. **(2 marks)**
- iii) The net current assets as at 31<sup>st</sup> December. **(2 marks)**

- b) A firm purchased plant and machinery on 1<sup>st</sup> January for Shs 50,000. Depreciation is written off at the rate of 10%. Show four years for the plant and machinery under both straight line method and reducing balance methods. **(4 marks)**
- c) A summary of Kwanthanzo Football club is shown below.

Cash book summary			
	£		£
Balance 1/1/2014	180	Purchase of equipment	125
Collection of materials	1,650	Rent for football pitches	300
Profit on sale of refreshments	315	Printing and Stationery	65
		Secretary's expenses	144
		Repairs to equipment	46
		Ground man's wages	520
		Miscellaneous expenses	66
		Balance 31/12/2014	2,145

Additional information

- i) At 1/1/2014 equipment was valued at £500.  
 ii) Depreciates all equipment 20% for the year 2014.  
 iii) At 31/12/2014 rent paid in advance was £60.  
 iv) At 31/12/2014 there was £33 owing for printing.

Required:

- i) Income and expenditure account for the year ended 31/12/2014. **(6 marks)**
- ii) A balance sheet as at that date. **(4 marks)**

Q3. The following is the trial balance for Muturi on 31<sup>st</sup> December 2014.

Dr balance		Cr balance	
Drawing	45,000	Capital	160,000
Land and building	60,000	Creditors	60,000
Plant and machinery	50,000	Purchase returns	5,000
Loose tools	4,000	Sales	210,000
Bills receivables	5,000		
Stock as at 1 <sup>st</sup> Jan 2014	45,000		
Purchases	54,000		
Wages	20,000		
Carriage outwards	1,500		
Carriage inwards	1,000		
Salaries	35,000		
Rent, Rates and Taxes	3,800		

Discounts	1,500	
Cash at Bank	30,000	
Cash in Hand	5,050	
Sundry debtors	45,000	
Repairs	2,100	
Printing and stationery	500	
Bad debts	1,200	
Advertisements	3,500	
Sales returns	10,000	
Furniture	6,000	
General expenses	<u>5,250</u>	
	<u>435,000</u>	<u>435,000</u>

Additional information:

- i) Closing stock on 31<sup>st</sup> December 2014 was 35,000
- ii) Depreciate plant and machinery, tools and furniture by 10% and land and building by 25%.
- iii) Advertisements prepaid amounted to Kshs 500
- iv) Outstanding rent amounted to Kshs 200
- v) Provide 5% on debtors against bad debts.

Required:

- a) Prepare trading profit and loss account for the period ended 31<sup>st</sup> December 2014. **(12 marks)**
- b) Prepare a Balance Sheet as at that date. **(8 marks)**

Q4. Bena and Belly are in partnership sharing profits and losses equally. The following is the trading balance as at June 2014.

	Dr	Cr
Buildings (cost £75,000)	50,000	
Fixtures at cost	11,000	
Provision for depreciation-fixtures		3,300
Debtors	16,243	
Creditors		11,150
Cash at bank	677	
Stock at 30 <sup>th</sup> June 2013	41,979	
Sales		123,650
Purchases	85,416	
Carriage outwards	1,288	
Discounts allowed	115	
Loan interest - king	4,000	
Office expenses	2,146	
Salaries and wages	18,917	
Bad debts	503	
Provision for bad debts		400

Loan from king		40,000
Capital accounts - Bena		35,000
- Belly		29,500
Current accounts - Bena		1,306
- Belly		298
Drawings - Bena	6,400	
- Belly	<u>5050</u>	
	<u>244,604</u>	<u>244,604</u>

Additional information:

- i) Stock 30<sup>th</sup> June 2015 £56,340
- ii) Expenses to be accrued office expenses £96 wage £200
- iii) Depreciate fixtures 10% on reducing balance basis buildings £1,000
- iv) Reduce provision for bad debts to £320
- v) Partnerships salary £800 Bena not yet entered.
- vi) Interest on drawing Bena £180, Belly £120.
- vii) Interest on capital accounts balance at 10%

Required:

- a) Prepare partnership trading profit and loss account for the year ended 30<sup>th</sup> June 2014. **(10 marks)**
- b) Partners' capital and current accounts. **(4 marks)**
- c) Balance Sheet as at 30<sup>th</sup> June 2014 **(6 marks)**

**\*END\***