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MAIN EXAMINATION

MAY – JULY 2015 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

ODINARY DIPLOM IN BUSINESS MANAGEMENT

REGULAR PROGRAMME

CAD 072-FUNDAMENTALS OF ACCOUNTING

Date: JULY 2015	Duration: 2 Hours
INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions	

Q1. Joan owns a small business making and selling children's toys. The following trial balance was extracted from her books on 31st December 2009.

	Dr.	Cr
	Shs.	Shs
Capital		15,000
Drawings	2000	
Sales		90,000
Stock at 1 January 2009		
Raw materials	3400	
Finished goods	6100	
Purchase of raw materials	18000	
Carriage inwards	800	
Factory wages	18500	

Office salaries	16900	
Joan: salary and expenses	10400	
General expenses		
Factory	1200	
Office	750	
Lighting	2500	
Rent	3750	
Insurance	950	
Advertising	1400	
Bad debts	650	
Discount received		1600
Carriage outwards	375	
Plant and machinery, at cost less		
Depreciation	9100	
Car, at cost less depreciation	4200	
Bank	3600	
Cash in hand	325	
Debtors and creditors	7,700	6,000
	112,600	112,600

You are given the following additional information.

1. Stock at 31 December, 2009

   Raw materials Kshs. 2900

   Finished goods Kshs. 8200

   There was no work in progress

2. Depreciation for the year is to be charged as follows:

Plant and machinery Kshs. 1500

Car Kshs. 500

3. At 31 December 2009 Insurance paid in advance was Kshs. 150 and office general expenses unpaid were Kshs. 75.

4. Lighting and rent are to be apportioned:

$^{4}/_{5}$ Factory, $^{1}/_{5}$ office

Insurance is to be apportioned

¾ Factory, ¼ office

5. Joan is the business salesperson and her salary and expenses are to be treated a selling expense. She has sole use of the business car

For the year ended 31 December 2009 prepare

a) A manufacturing account showing prime cost and factory cost of production

b) A trading account

c) A profit and loss account, distinguishing between administrative and selling costs.

d) A balance sheet as at 31 December 2009. **(30 marks)**

Q2. a) List and describe four subsidiary books or books of prime entry is financial accounting. **(4 marks)**

b) You are to enter up the purchases journal and the returns outwards journal from the following details, then to post the items to the relevant accounts in the purchases ledger and to show the transfer to the general ledger at the end of the month.

2010

May 1 Credit purchase from H. Lloyd shs. 1190

May 4 Credit purchases from the following:

D. Scott shs. 980; A Simpson shs. 1,140; A. Williams shs. 250; S. Wood shs. 560.

May 7 Goods returned by us to the following: H Lloyd shs. 160; D. Scott shs. 140

May 10 Credit purchase from A. Simpson shs. 590

May 18 Credit purchases from the following:

M. White shs. 890; J. Wong shs. 670;

H. Miller shs. 1960; H. Lewis shs. 1190

May 25 Good returned by us to the following:

J. Wong shs. 50; A Simpson Shs. 110

May 31 Credit purchases from: A William shs. 560;

C. Cooper shs. 980 **(16 marks)**

Q3. D. Sankey, a manufacturer, purchases a machine for the sum of shs. 400,000. It has an estimated life of 3 years and a residual or scrap value of shs. 40,000

Sankey is not certain whether he should use the straight line method or the reducing balance method for the purpose of calculating depreciation on the machine.

You are required to draw up using

a) Straight line method (**8 marks**)

b) The reducing balance method (Assume a rate of 50% per annum)

(**12 marks**)

The following accounts for the 3 years

i) Depreciation expense account

ii) Accumulated depreciation account

iii) Balance sheet extract

Q4. Prepare control accounts from the following data relating to M.P. Shah, a spare parts dealer for the year ending 31 December, 2013.

	Shs
Customers Dr. Balances 1.2.2013	34,690
Customers Cr. Balances 1.1.2013	340
Suppliers Cr. Balances 1.1.2013	65480
Suppliers Dr. Balances 1.1.2013	450
Credit sales	632570
Returns inwards	37800
Credit purchases	824560
Returns outwards	12720
Cash paid to credit suppliers	783,290
Cash paid to credit customers	7800
Cash received from credit customers	583,400
Cash received from credit supplier	14590
Bad debts	8720
Set-offs	13220
Interest charged to customers	230
Discount allowed	8970
Discount received	4320
Customers Cr. Balances 31.12.2013	540
Suppliers Dr. Balances 31.12.2013	500

Required:

Balance the control accounts and bring down the balances **(20 marks)**

END