



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

MAY – JULY 2016 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

SCHOOL FOCUSED PROGRAMME

CAC 111: BASIC ACCOUNTING

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Date: JULY 2016

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) Margaret runs a business in Kitale. Her trial balance for the year ended 31/12/2015 is as follows

	Dr Shs '000'	Cr Shs '000'
Furniture (at cost)	4,000	
Motor vehicles (at cost)	3,000	
Stock 91/1/2015	2,000	
Sales		57,000
Purchases	45,000	
Returns	2,000	
Discounts	3,000	
Debtors	8,000	
Creditors		4,100
CFC Loan		2,500
Bad debts	1,000	
Provision for bad and doubtful debts		500
Repairs	2,400	
Rent	600	
Salaries	1,600	
Electricity and water	1,450	
Telephone	350	

Carriage inwards	200	
Carriage outwards	300	
Drawings	5,500	
Capital	—	14,300

Additional information

- i Stock at 31/12/2015 amount to sh 2,500,000
- ii Provision for bad and doubtful debts is set as 6% of current debtors
- iii Repairs accrued amount to shs 200,000
- iv Rent paid in advance amount to shs 120,000 while salaries prepaid amount to shs 180,000
- v Accrued telephone amount to shs 85,000
- vi Depreciation is provided on motor vehicles and furniture at 12% p.a and 10% p.a on cost respectively.

Required to prepare

- i An income statement **(12 marks)**
 - ii Statement of financial position **(8 marks)**
- b) Explain the following accounting principals
- i Going concern principle **(3 marks)**
 - ii Matching principle **(4 marks)**
 - iii Consistency principle **(3 marks)**

- Q2. a) Mr. Isaac started a new business with shs 800,000 cash on 1/6/2014. During the month he carried out the following transactions
- 2/6 Deposited shs 210,000 in a bank account
 - 3/6 Bought goods worth shs 140,000 cash
 - 5/6 Sold goods for shs 320,000 cash
 - 6/6 Paid electricity by cheque sh 50,000
 - 9/6 Bought goods on credit worth sh 520,000 from Joseph
 - 10/6 Sold goods on credit worth sh 640,000 to John
 - 11/6 Paid Joseph sh 170,000 cash
 - 12/6 received a cheque of sh 530,000 from John

Required

Record the transactions in the relevant ledger accounts and extract a trial balance. **(14 marks)**

- b) Briefly explain the accounting process **(6 marks)**

- Q3. a) The following information relate to the transactions and balances of Moses with his bank equity for the month of March 2015. Cash book balance on 31 March 2015 was sh 280,000. On the same date, balance as per the bank statement was sh 434,500 (credit)

- i The bank had not yet credited a cheque of sh 90,000 deposited by the cashier on 31/3/2015
- ii The July bank statement revealed service fees of sh 4,500 were charged by the bank for the month.
- iii The bank had collected on behalf of moses dividends amounting to sh 83,000
- iv A standing order to Kenya power of shs 5,000 had been paid by the bank but not entered in the cash book.
- v Cheques paid to supplies but not presented for payment to bank amounted to sh 70,000
- vi A cheque of sh 15,000 from a debtor had been dishonoured
- vii Bank charges of sh 4,000 had not been entered in the cash book
- viii Some moses customers had settled their debts amounting to shs 120,000 by paying directly into his bank account

Required to prepare

- i Adjusted cashbook **(6 marks)**
 - ii Bank reconciliation statement **(4 marks)**
- b) Accounting is a wastage of time and resources. Discuss. **(10 marks)**

- Q4. a) Mr. Julius commenced business as a wholesaler several years ago and maintains a hand written set of books. A trial balance is extracted at the end of each month on 31 May 2014 the trial balance failed to alance the credits exceeding debits by shs 6,598

The following errors were discovered

- i A purchase of a motor vehicle for sh 470,000 had been recorded in the motor vehicle expenses account
- ii The receipts side of the cash book had been under cast by shs 10,160
- iii A balance of shs 3,500 on a debtors account had been omitted from the schedule of debtors the total of which was entered as debtors in the trial balance
- iv A credit note of sh 537 received from a supplier had been posted on the wrong side of his account.
- v Payment of wages sh 50,000 was debited in the cash book and credited in the wages account
- vi A debtor paid sh 2, 193. This transaction was recorded in the debtors account only.

Required

- i Pass the journal entries necessary to effect correct the above errors. **(14 marks)**
- ii Prepare the suspense account to clear the difference **(6 marks)**

END