



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

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AUGUST - DECEMBER 2016 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

REGULAR PROGRAMME

CAD 072: FUNDAMETALS OF ACCOUNTING

Date: DECEMBER 2016

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

Q1. D. Sauti is a manufacturer. His trial balance at December 31 2015 is as follows

	Shs	Shs
Delivery van expenses	2,500	
Lighting and heating: Factory	2,859	
Office	1,110	
Manufacturing wages	45,470	
General expenses: Office	3,816	
Factory	5,640	
Salesmen's commission	7,860	
Purchase of raw materials	39,054	
Rent: Office	2,200	
Factory	4,800	
Machinery (cost shs 50,000)	32,500	
Office equipment (cost shs 15,000)	11,000	
Office salaries	6,285	
Debtors	28,370	
Creditors		19,450
Bank	13,337	
Sales		136,500
Premises (cost shs 50,000)	40,000	
Stock as at 31 December 2014		
Raw materials	8,565	

Finished goods	29,480	
Drawings	8,560	
Capital		137,456
	293,406	293,406

NOTES:

. Give effect to the following adjustments.

- Stock at 31 December 2015: Raw materials shs 9,050, finished goods shs 31,200 there is no work in progress.
- Depreciate machinery shs 2,000, office equipment shs 1,500, premises shs 1,000.
- Manufacturing wages due but unpaid at 31 December 2015 shs 305, office rent prepaid shs 108.

Required:

- Prepare the manufacturing, trading and profit and loss account for the year ended 31 December 2015 **(18 marks)**
- The balance sheet as at that date **(12 marks)**

Q2. Your book-keeper extracted a trial balance on 31 December 2015 which failed to agree by shs 33,000 a shortage on the credit side of the trial balance. A suspense account was opened for the difference. In January 2016, the following errors made in 2015 were found

- Sales day book had been under cast by shs 10,000
- Sales of shs 25,000 to J. Kaniu had been debited in error to J. Sikio's account.
- Rent account had been under cast by shs 7,000
- Discounts received account had been under cast by shs 30,000
- The sale of a motor vehicle at book value had been credited in error to sales account shs 36,000

You are required to:

- Show the journal entries necessary to correct the errors. **(10 marks)**
- Draw up the suspense account after the errors described have been corrected. **(4 marks)**
- If the net profit had previously been calculated at shs 790,000 for the year ended 31 December 2015, show the calculations of the corrected net profit. **(6 marks)**

Q3. D. Wambugu is the owner of a metal welding business located at a growing suburb. On July 1 2012 he bought a 9 inch grinder that can be used to cut through large metal bars. The grinder cost shs 11,000. He expects to use the grinder for 3 years and thereafter sell it for shs 2,000. His financial year ends on 30th of June.

Required:

- a) Prepare a depreciation schedule to show the straight line depreciation expense for each year the asset is in use. **(4 marks)**
- b) For each year the asset is used
- i Make entries to record the depreciation expense for the year in the depreciation expense account and the accumulated depreciation account. **(10 marks)**
 - ii Present a balance sheet extract showing how you would report the asset of grinder in the balance sheet. **(6 marks)**

Q4. The following was derived from Kandie's books.

	Shs
Customer's Dr. balances 1/1/2015	43,901
Suppliers' Cr. Balances 1/1/2015	23,139
Supplier's Dr. balances 1/1/2015	200
Sales day book	345,345
Sales returns daybook	3,657
Purchases day book	132,678
Cash paid to suppliers	126,543
Cash paid to customers	673
Cash received from customers	320,760
Cash received from suppliers	1,500
Bad debts written off	1234
Set offs (contras)	700
Discounts allowed	1,387
Discounts received	256
Customers Cr. Balances 31/12/2015	124
Suppliers Dr. balances 31/12/2015	298

Required:

Prepare debtor's ledger control account and creditor's ledger control account from the above data. **(20 marks)**

END