



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

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AUGUST - DECEMBER 2018 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

REGULAR PROGRAMME

CAD 071: FOUNDATIONS OF ACCOUNTING

Date: DECEMBER 2018

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. The following is the trial balance of T.Owen as at March 31, 2018. Draw up the trading and profit and loss account for the year ended March 31, 2018 and a balance sheet as at that date.

	Dr shs	Cr. Shs
Stock at 1 April 2017	52,800	
Sales		276,400
Purchases	141,300	
Carriage inwards	1,350	
Carriage outwards	5,840	
Returns outwards		2,408
Wages and salaries	63,400	
Business rates	3,800	

Communication expenses	714	
Commissions paid	1,930	
Insurance	1,830	
Sundry expenses	208	
Buildings	125,000	
Debtors	45,900	
Creditors		24,870
Fixtures	1,106	
Cash in hand	276	
Cash at bank	31,420	
Drawings	37,320	
Capital		210,516
	<u>514,194</u>	<u>514,194</u>

Stock at 31 March 2018 was shs 58,440 **(30 marks)**

- Q2. a) Briefly explain the differences between Sole Proprietorship or Sole Trader, Partnership 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 or banks. **(8 marks)**

Q3. Enter the following in a three-column cash book. Balance off the cash book at the end of the month.

2018	
1 June	Balances brought forward: Cash shs 970 Bank sh 21,860
2 June	The following paid us by cheque in each case deducting a 5% discount; R.Harris sh 10,000 C. White sh 2,800 P.Peers sh 1,800 D.Hardy sh 6,000
3 June	Cash sales paid direct into bank sh 1,340
5 June	Paid rent by cash sh 880
6 June	We Paid the following accounts by cheque in each case deducting 2.5% cash discount J.Charlton sh 4,000 H.Sobers sh 6,400 D.Shallcross sh 2,000
8 June	Withdrew cash from the bank for business use sh 2,500
10 June	Cash sales sh 2,060
12 June	D.Deeds paid us their account of shs 890 by cheque less sh 20 discount
14 June	Paid wages by cash sh 2,500
16 June	We paid the following accounts by cheque L.Lucas sh 1,170 less cash discount sh 60 D.Fisher sh 2,060 less cash discount sh 80
20 June	Bought fixtures by cheque sh 80,000
24 June	Bought motor lorry paying by cheque sh 71,660

29 June	Received sh 1,690 from D. Steel
30 June	Cash sales sh 1,160
30 June	Bought stationery paying by cash sh 600

(20 marks)

Q4. The financial year of T.Guinness ended on 31 December 2017. Show the ledger accounts for the following items including the balance transferred to the necessary part of the financial statements also the balances carried down to 2018. This question examines your knowledge of adjusting final accounts

- a) Motor expenses: Paid in 2017 shs 8,190 owing at 31 December 2017 shs 940
- b) Insurance: Paid in 2017 shs 8,400, prepaid as at 31 December 2017 shs 680
- c) Stationery: Paid during 2017shs 3,700 owing as at 31 December 2016 shs 1,100 owing as at 31 December 2017shs 2,450
- d) Business rates: Paid during 2017shs 16,540, prepaid as at 31 December 2016 shs 1,400 prepaid as at 31 December 2017 shs 1,200
- e) Guinness sublets part of the premises. He receives shs 14,000 during the year ended 31 December 2017, Harte the tenant, owed Guinness shs 1,750 on 31 December 2016 and shs 1,850 on 31 December 2017. **(20 marks)**

END