



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A MAIN EXAMINATION

AUGUST – DECEMBER 2018 TRIMESTER

FACULTY OF LAW

REGULAR PROGRAMME

CLS 415: COMMERCIAL ACCOUNTS

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Date: DECEMBER 2018

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) Identify any four users of accounting information and for each, briefly explain why they require the information. **(6 marks)**
- b) Winrose is a sole proprietor in Medium enterprise business, the following balances were extracted from his books for the year ended 31/12.2017

| Particulars | Amount |
|-------------------------|---------------|
| Income from investments | 25,000.00 |
| Drawings | 70,640.00 |
| Stock 1/1/2017 | 69,800.00 |
| Debtors | 65,440.00 |
| Salaries and wages | 63,250.00 |
| Sales | 786,000.00 |
| Plant and Machinery | 100,000.00 |
| Office Rent | 34,370.00 |
| Capital | 410,690.00 |
| Motor Vehicles | 180,530.00 |
| Furniture | 27,860.00 |
| Discount allowed | 2,300.00 |
| Long term investments | 50,000.00 |
| Purchases | 302,900.00 |
| Land and Buildings | 175,780.00 |
| Closing stock | 67,800.00 |

| | |
|------------------------|------------|
| Discount received | 4,270.00 |
| Carriage Inwards | 4,500.00 |
| Carriage Outwards | 9,800.00 |
| Returns Inwards | 3,450.00 |
| Returns Outwards | 9,250.00 |
| Cash and Bank balances | 129,350.00 |
| Creditors | 54,760.00 |

Additional Information

1. Make a Provision for bad debts at 8.5 % on Debtors
2. Salaries and wages are accrued 8,560 while rent prepaid is 10,825
3. Depreciation on Motor vehicles is at 15% on cost and furniture at 5%

Required

- i) The Trial Balance from above information **(8 Marks)**
- ii) The Income Statement **(8 Marks)**
- iii) The Statement of financial position **(8 Marks)**

Q2. Accounting has been in existence since the time of Mesopotamia and in early civilization. In relation to this

- a) Discuss the accounting principles (concepts and conventions) **(8 Marks)**
- b) Explain the accounting cycle **(4 Marks)**
- c) Describe the accounting bases **(4 Marks)**
- d) Discuss the accounting systems **(4 marks)**

Q3. a) Describe the major causes of differences between the balance shown by the cash book (Bank column) and the bank statement at a given date **(6 Marks)**

b) Explain why control accounts are prepared **(5 Marks)**

c) The following information was obtained from the books of Fidelis and Kavita Company

- Sales ledger debit balance 1/1/17 184,539, credit balance 2,874
- Credit sales 567,851
- Discounts allowed 1,368
- Cash received from debtors 625,837
- Bad debts written off 432

You are required to prepare sales ledger control account **(9 Marks)**

- Q4. a) Define depreciation and explain the reasons why a business has to consider it as an expense **(3 Marks)**
- b) With imaginary practical examples explain any three ways of calculating depreciation of fixed assets **(5 Marks)**
- c) David and Company operates transport business. In 2015 the company bought three Lorries KCA Cost 680,000, KCB Cost 960,000 and KCC Cost 1,080,500. In 2016 the company bought another lorry KCD for 1,200,000. In the year 2017, one of the Lorries KCA developed serious engine problems and was sold to a dealer for 345,800. The policy of the company is to depreciate Motor vehicles at the rate of 25% on reducing balance. Whole year's depreciation is charged on the year of purchase while no depreciation is charge on the year of sale.

Required

For the three years 2015, 2016 and 2017, prepare

- a) The motor vehicles account **(4 marks)**
- b) The Provision for depreciation Account **(4 marks)**
- c) Motor vehicle disposal account **(4 marks)**

- Q5. The following are the records of the County Cricket Club which has not kept a full set of accounts;

| Assets and liabilities | Kshs | Kshs |
|---------------------------|-----------------|-----------------|
| | 01 03 16 | 28 02 17 |
| Fixed assets (book value) | 85,000 | ? |
| Investments (long term) | 20,000 | 20,000 |
| Debtors | 1,000 | 1,000 |
| Creditors (bar purchases) | 600 | 800 |
| Bar stock | 3,000 | 3,500 |
| Wages owing | 400 | 600 |
| Prepaid insurance | 100 | 200 |
| Balance at bank | 2,000 | ? |
| Subscriptions outstanding | 300 | 350 |

Summary of the bank transactions in the year:

| | Payments | Receipts |
|------------------------------|----------|----------|
| | Kshs | Ksh |
| Purchase of new fixed assets | 15,000 | |
| Wages (bar staff) | 26,000 | |
| Insurance | 10,000 | |

| | | |
|-----------------------------|--------|---------|
| Rent and rates | 6,000 | |
| Postage and stationery | 2,800 | |
| Payments to suppliers (bar) | 67,000 | |
| Sundry expenses | 1,500 | |
| Bar sales | | 136,000 |
| Subscriptions received | | 15,500 |
| Investment income | | 1,000 |

It has been decided to depreciate fixed assets by 25%.

Required

a) Calculate

- i) The accumulated fund as at 1st March 2016.
- ii) The bank balance as at 28 February 2017. **(8 marks)**

b) Prepare the

- i) Bar trading account for the year ended 28 February 2017.
- ii) Prepare the income and expenditure account for the year ended 28 February 2017.
- iii) Balance sheet as at 28 February 2017. **(12 marks)**

END