THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

MAY – JULY 2019 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

SPECIAL / SUPPLEMENTARY EXAMINATION

CAD 072: FUNDAMENTALS OF ACCOUNTING

Date: JULY 2019	Duration: 2 Hours
INSTRUCTIONS: Answer Question ONE and any other TWO Questions	

Q1.   D. Sauti is a manufacturer. His trial balance at December 31 2018 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 2017		
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.

a) Stock at 31 December 2018: Raw materials shs 9.050, finished goods shs 31,200 there is no work in progress.

b) Deprecate machinery shs 2,000, office equipment shs 1,500, premises shs 1,000.

c) Manufacturing wages due but unpaid at 31 December 2018shs 305, office rent prepaid shs 108.

Required:

a) Prepare the manufacturing, trading and profit and loss account for the year ended 31 December 2018 **(18 marks)**

b) The balance sheet as at that date **(12 marks)**

Q2. (a)
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 transfers to the general ledger at the end of the month.

2018

May 1 Credit purchase from H. Menyashs. 1,200

May 4 Credit purchases from the following: D. Kaninashs. 980; A. Abuogishs.1,150; A. Muthianishs.250; S. Njirishs. 560

May 7 Goods returned by us to the following: H. Menyashs. 160; D. Kaninashs. 140

May 10 Credit purchases from A. Abuogishs. 590

May 18 Credit purchases from the following: M. Chabedashs. 890; J. Machariashs.670; H. Alooshs.1,960; H. Owuorshs. 1,190

May 25 Goods returned by us to the following: J. Machariashs. 50; A. Abuogishs. 110

May 31 Credit purchases from A. Muthianishs. 560; C. Nyamwayashs. 980.

(16 marks)

(b)   List and describe by example four books of prime entry or subsidiary books in financial accounting.   **(4 marks)**

Q3. D. Wambugu is the owner of a metal welding business located at a growing suburb. On July 1 2016, 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 1/1/2018	43,901
Suppliers' Cr. Balances 1/1/2018	23,139
Supplier's Dr. balances 1/1/2018	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 31/12/2018	124
Suppliers Dr. balances 31/12/2018	298

Required:

Prepare debtor's ledger control account and creditor's ledger control account from the above data.

(20 marks)

END