



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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**MAIN EXAMINATION**

**MAY – AUGUST 2019 TRIMESTER**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**REGULAR PROGRAMME**

**CAD 072: FUNDAMENTALS OF ACCOUNTING**

**Date: JULY 2019**

**Duration: 2 Hours**

**INSTRUCTIONS: Answer Question ONE and any other TWO Questions**

Q1. Joan owns a small business making and selling children's toys. The following trial balance was extracted from her books on 31 December 2018.

	Dr	Cr
Capital		15,000
Drawings	2,000	
Sales		90,000
<i>Stocks at 1 January 2018:</i>		
Raw materials	3,400	
Finished goods	6,100	
Purchases of raw materials	18,000	
Carriage inwards	800	
Factory wages	18,500	
Office salaries	16,900	
Joan: salary and expenses	10,400	
<i>General expenses:</i>		
Factory	1,200	
Office	750	
Lighting	2,500	
Rent	3,750	
Insurance	950	
Advertising	1,400	
Bad debts	650	

Discount received		1,600
Carriage outwards	375	
Plant and machinery, at cost less depreciation	9,100	
Car, at cost less depreciation	4,200	
Bank	3,600	
Cash in hand	325	
Debtors and creditors	<u>7,700</u>	<u>6,000</u>
	<u>112,600</u>	<u>112,600</u>

You are given the following additional information.

- Stocks at 31 December 2018
  - Raw materials                      Kshs. 2,900
  - Finished goods                      Kshs. 8,200
  - There was no work in progress.
- Depreciation for the year is to be charged as follows:
  - Plant and machinery              Kshs. 1,500
  - Car                                      Kshs. 500
- At 31 December 2018 Insurance paid in advance was Kshs.150 and Office general expenses unpaid were Ksh.75.
- Lighting and rent are to be apportioned:  $\frac{4}{5}$  Factory,  $\frac{1}{5}$  Office  
Insurance is to be apportioned:  $\frac{3}{4}$  Factory,  $\frac{1}{4}$  Office
- Joan is the business's salesperson and her salary and expenses are to be treated as a selling expense. She has sole use of the business's car.

**Questions:**

For the year ended 31 December 2018 prepare

- A manufacturing account showing prime cost and factory cost of production.
- A trading account.
- A profit and loss account, distinguishing between administrative and selling costs.
- A balance sheet as at 31 December 2018.

**(30 marks)**

- Q2. a) List and describe four subsidiary books or books of prime entry in financial accounting. **(4 marks)**
- b) 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 Lloyd shs 1,190  
 May 4 Credit purchases from the following: D Scott shs 980; A Simpson shs 1,140; A Williams shs 250; S Wood shs 560  
 May 7 Goods returned by us to the following: H Lloyd shs 160; D Scott shs 140  
 May 10 Credit purchase from A Simpson shs 590  
 May 18 Credit purchases from the following: M White shs 890; J Wong shs 670; H Miller shs 1,960; H Lewis shs 1,190  
 May 25 Goods returned by us to the following: J Wong shs 50; A Simpson shs 110  
 May 31 Credit purchases from: A Williams shs 560; C Cooper shs 980

**(16 marks)**

Q3. D Sankey, a manufacturer, purchases a machine for the sum of shs 400,000. It has an estimated life of 3 years and a residual or scrap value of shs 40,000. Sankey is not certain whether he should use the straight line method or the reducing balance method for the purpose of calculating depreciation on the machine.

You are required to draw up using:

(a) The straight line method

**(8 marks)**

(b) The reducing balance method (Assume a rate of 50% per annum)

**(12 marks)**

The following accounts for the 3 years:

- (i) Depreciation expense account
- (ii) Accumulated depreciation account
- (iii) Balance sheet extract

Q4. The following figures were extracted from the books of Africa Business Ltd for the month of June 2018

		Shs.
Purchases ledger balances 1 <sup>st</sup> June	Dr.	350
	Cr.	18,460
Sales ledger balances 1 <sup>st</sup> June	Dr.	47,600
	Cr.	1,350
Credit Purchases		39,400
Credit Sales		68,940
Cash Purchases		4,400
Cash Sales		20,600
Returns Inwards		2,500
Returns Outwards		890
Payments to Trade Creditors		38,640
Receipts from Credit customers		52,600

Discounts Received		4,750
Discounts allowed		6,990
Bad debts written off		1,240
Interest charged to debtors		360
Debtors' cheques dishonoured		870
Purchases ledger credits transferred to Sales ledger (Set-offs)		1,230
Purchases ledger balances 30 <sup>th</sup> June	Dr.	480
Sales Ledger balances 30 <sup>th</sup> June	Cr.	1,690

**Required:** From the above information, prepare the Debtors' ledger and Creditors' ledger control accounts for the month of June 2018, showing the closing balances in the accounts. **(20 marks)**

**\*END\***