



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

JANUARY – APRIL 2020 TRIMESTER

FACULTY OF SCIENCE

DEPARTMENT OF COMPUTER AND LIBRARY SCIENCE

REGULAR PROGRAMME

DIT 001: BASIC ACCOUNTING

Date: APRIL 2020

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and any other TWO Questions

- Q1. a) i) Briefly explain the importance of accounting information to a young entrepreneur **(3marks)**
- ii) Discuss the qualities of accounting information **(3marks)**
- iii) Briefly discuss the purpose and content of the balance sheet **(2marks)**
- iv) Classify the following items into liabilities, assets and capital **(3marks)**
- | | |
|--------------------|-----------------|
| Unpaid electricity | Unpaid dividend |
| Machinery | Owner's Equity |
| Bank Loan | Cash in hand |
- b) i) Define the term source document. Discuss the details and purpose of two source documents. **(3marks)**
- ii) Joseph made the following purchases during the month of July 2018.
- July 1: From Isaac, credit purchases, 4 radios @Shs3000 each, 3 washing machines @Shs16000 each, less 25% trade discounts through Invoice no. 4083.
- July 5: From Bell, credit purchases, 5 iron boxes @Shs2000 each, 6 radios @shs7200 each, less 30% trade discount through Invoice no. 1003
- July 18: Cash purchases: 4 radios @shs5000 each, less 5% trade discounts receipt.3089
- July 30: From Lewis, credit purchases 4 fridges @ Shs7,000 less 15% trade discount through invoice.38

Required:

i) Prepare the purchases journal for the month

(3marks)

ii) Post the items to the creditors personal accounts

(3marks)

iii) Post the totals of the journal to the purchases A/C in the general ledger

(2marks)

- c) Differentiate between the following terms
- i) Bad debts and provision for bad doubtful debts
 - ii) Accrued expenses and prepaid expenses
 - iii) Carriage inwards and carriage outwards

(6marks)

d) Clearly explain the imprest system

(2marks)

Q2. a) The following trial balance was extracted from the books of Omondi's Business as at 31/12/2018

| Item | Debit Kshs | Credit Kshs |
|-------------------------------------|----------------|----------------|
| Sales | | 120,000 |
| Return inwards | 5,000 | |
| Opening stock 1/1/2018 | 46,000 | |
| Return outwards | | 7,000 |
| Purchases | 34,000 | |
| Carriage inwards | 3,000 | |
| Rent expenses | 4,000 | |
| Furniture at cost | 25,000 | |
| Debtors | 18,000 | |
| Creditors | | 17,000 |
| Provision for doubtful debts 1/1/18 | | 1,200 |
| Salary expense | 8,000 | |
| Capital | | 37,800 |
| | 183,000 | 183,000 |

Additional information:

- i. Closing stock value shs5,000
- ii. Bad debts to be written off shs1,500
- iii. Provision for doubtful debts 10% of the remaining debtors
- iv. Furniture to be depreciated at the rate of 5% p.a on cost
- v. Motor vehicle to be depreciated at the rate of 8% p.a on cost
- vi. Prepaid rent expenses shs1,000
- vii. Unpaid salary bills shs2,000

Required:

Using the vertical format prepare:

- i) Trading and Profit and Loss account for the year ended 31/12/2018.

(10marks)

- ii) Balance Sheet as at 31/12/18

(8marks)

- b) List two uses of the Trial Balance

(2marks)

- Q3. a) The following transactions took place in Rebeca's business during the month of December 2016.

The opening balances on 1/12/2016 in the cashbook were cash-shs40,000 (DR) bank – shs2,000 (CR)

- 2/12/2016 Bought business premises worth shs8,000 and paid by cash
- 3/12/2016 Deposited shs15,000 cash into the business bank a/c
- 5/12/2016 Bought goods worth shs5,000 on credit from Beatrice
- 9/12/2016 Returned goods shs800 to Beatrice as they were faulty
- 14/12/2016 Received shs10,000 cash as a loan from Isaac
- 15/12/2016 Made credit sales to Daniel worth shs9,000
- 16/12/2016 Paid the amount due to Beatrice less 15% cash discount using a cheque
- 17/12/2016 Made cash sales amounting to shs7,000
- 18/12/2016 Purchased goods worth shs7,000 from Joseph on credit
- 19/12/2016 Paid electricity bill shs2,000 using a cheque
- 20/12/2016 Made credit sales to Robert worth shs6,000
- 21/12/2016 Returned goods worth shs500 to Robert complaining that they had expired
- 26/12/2016 Received cash from Daniel, a debtor in respect to the amount due from him less 8% cash discount
- 27/12/2016 Paid the amount due to Joseph less 3% cash discount using cash
- 28/12/2016 Received the amount due from Robert less 5% cash discount in form of cheque
- 31/12/2016 Received a cheque of Shs10,000 in respect to rent income earning

Required:

- i) Write a three-column cashbook for the month

(10marks)

- ii) Clearly show the posting of discounts to the respective ledger accounts.

(2marks)

- b) Explain the following accounting error giving an example in each case:
- i) Error of principle
 - ii) Compensating error
 - iii) Error of original entry
 - iv) Error of complete reversal of entries

(8marks)

- Q4. a) The following transaction took place in the month of November 2016 in Baraka's business
- 1/11/2016 Baraka invested shs.50,000 cash in the business
 - 3/11/2016 Bought stock worth shs15,000 and paid by cash
 - 5/11/2016 Returned some broken stock items worth shs.500 and was refunded cash
 - 6/11/2016 Bought more stock worth shs4,000 from Isaac on credit
 - 7/11/2016 Deposited shs.5,000 cash into the business bank account
 - 11/11/2016 Made cash sales amounting to Shs20,000
 - 15/11/2016 Bought furniture worth shs3,000 and paid by cash
 - 20/11/2016 Made credit sales to Kamau worth Shs6,000
 - 22/11/2016 Kamau returned goods worth shs500 because they had expired
 - 25/11/2016 Paid Isaac shs2,000 using cash
 - 28/11/2016 Received a cheque of shs3,000 from Kamau
 - 28/11/2016 Baraka withdrew shs1,000 cash from the business for personal use

Required;

- i) Open the relevant ledger accounts and post the above transactions

(8marks)

- ii) Balance off the accounts as at 30/11/2016 **(6marks)**
 - iii) Prepare a trial balance as at 30/11/2016 **(3marks)**
- b) State and explain the contents of the three ledger books. **(3marks)**

- Q5. a) Explain the following terms as used in accounting
- i) Business entity concept
 - ii) Historical cost concept
 - iii) Prudence concept
 - iv) Materiality concept
 - v) Matching concept

(10marks)

- b) Karibu Enterprise operates a petty cash book on the imprest system, with a cash float of Shs.10,000 per week. Reimbursement to the petty cashier is made at the beginning of each new week.
On 14th October 2019, the petty cashier had a balance of Shs1,790 reimbursement was made on the same date.
During the week ended 11th November 2016, the petty cashier made the following payments.

| | |
|------------|--|
| 7/10/2019 | Bus fare shs350,Postage shs.270 |
| 8/10/2019 | Petrol shs 500, washing detergents shs.80 |
| 9/10/2019 | Office repairs shs900, registered mail shs370 |
| 9/10/2019 | Receipt books shs 840,petrol shs370 |
| 10/10/2019 | Vehicle repairs shs1800, paid creditor(PK) shs2000 |
| 11/10/2019 | Cleaners wages shs500, biro pens shs230 |

Required:

Using analysis columns for postage, stationery, motor expenses, cleaning, miscellaneous and creditors, prepare a petty cash book and show the reimbursement on 14/10/2019. **(10marks)**

END