



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

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MAY- AUGUST 2021

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SCHOOL OF BUSINESS

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DEPARTMENT OF ACCOUNTING AND FINANCE

REGULAR/ODEL PROGRAMME

CAD 072: FUNDAMENTALS OF ACCOUNTING

Date: AUGUST 2021

Duration: 2 Hours

INSTRUCTIONS: Answer question ONE and ANY other two questions

QUESTION 1

- a). Briefly explain four documents containing the information that makes basis of entries in the books of accounts **(8 marks).**
- b). Journalise the following transactions which took place in the business of J Opuche during the month of March 2020. **(6 marks).**

March 5; Purchased office furniture on credit for shs 25 000 from miugiza Furniture Limited
10; Sold old duplicating machine for shs 15 000 to samba academy on credit
15; Bought a new motor vehicle for shs 800 000 from explo motors Ltd, paying shs 300 000 in cash and balance was to be settled at a later date
18; Sold old vehicle to Mara Secondary school for shs 500 000 on credit
25; The owner converted personal electronic calculator valued at shs 9 000 into business asset
27; Sold old computers valued at shs 20 000 for shs 15 000 on credit to Mara secondary school
30; Sold old dining chairs worth shs 10 000 to Maendeleo for shs 15 000 on credit

c). A machine costs Shs. 100,000, it has an expected life of four years and has an estimated residual value of Shs. 25,600. Calculate the depreciation expense per annum: **(4 marks)**

d). Using the following information, draw up a manufacturing account **(8 marks)**

1 Jan 2019, stock of raw materials	8,000
31 December 2019, stock of raw materials	10,500
1 January 2019, work in progress	3,500
31 December 2019, work in progress	4,200
Year to 31 Dec 2019	
Wages: Direct	39,600
Indirect	25,500
Purchases of raw materials	87,000
Fuel and power	9,000
Direct expenses	1,400
Lubricants	3,000
Carriage inwards on raw materials	2,000
Rent of factory	7,200
Depreciation of factory and plant	4,200
Internal transport expenses	1,800
Insurance of factory building and plant	1,500
General factory expenses	3,300

e). Outline four advantages of a control account **(4 marks)**

QUESTION 2

(a) The following transactions relates to Kaka Traders which took place during the Month of April 2012.

- April 2: Sold goods on credit to Dada traders worth sh 80,000, Nyota sh 60 000
April 10: Bought goods on credit from Ndugu Enterprise for sh 50,000, Motari sh 100,000
April 18: Goods returned by Dada traders with sh 7000

- April 20: Returned goods bought on credit from ndugu Enterprise worth Sh 10,000 which were found to be defective.
- April 22: Issued invoice to Onyango traders worth Sh 40,000
- April 25: Issues credit note to Onyango traders worth Sh 2000
- April 28: Sold goods on credit to Nyanya Enterprise worth Sh 90,000
- April 30: Received invoice from Babu Traders worth Sh 75 000

Required:

Record the above transactions in the books of original entry and post the totals to the general ledger **(10 Marks).**

b). Explain five Errors that do Not Affecting the Agreement of the Trial Balance **(10 marks)**

QUESTION 3

a). The Trial balance of a firm showed a difference of 11,100 and this has been carried to the credit side of a Suspense Account. Further information revealed the following errors.

- (i) Sales day book was overcast by 2,500
- (ii) An invoice for 2,750 received from a supplier was correctly entered in the purchases day book but was posted to the debit side of the supplier's account.
- (iii) A debtor who owed a sum of 1,200 died without leaving anything behind. This amount was written off his account as a bad debt but no other entry was made in the books.
- (iv) A machine was bought for 7,500 and the payment was made by cheque. This fact was recorded only in the machinery account.
- (vii) A payment of 1,300 for wages was entered correctly in the cash book but was recorded as 3,100 in the wages account.

You are required to: Show journal entries necessary to correct these errors and a Suspense Account **(10 marks)**

b). Joyce is a business person. She has just started her business by acquiring hairdressing equipment for her saloon at a cost of Shs. 180,000. She estimates that her equipment has a useful life of 10 years and is depreciated at 10% per annum straight line.

She also acquired fixtures for her business which cost shs. 50,000 and are estimated to have a useful life of 5 years and therefore will be depreciated at 20% per annum straight line. Her financial year ends on October 31 2019.

Required

- i). Show how the depreciation expense would be shown in the profit and loss a/c extract assuming these were the only expenses and a gross profit of Shs. 45,000 for the year (5 marks).
- ii). Prepare the balance sheet extract for fixed assets as at 31 Oct 2019 (5 marks).

QUESTION 4

- a). The following trial balance has been extracted from the books of J. Jarvis, a toy manufacturer, as on 31 December 2019.

J. Jarvis
Trial Balance as on 31 December 2019

	Dr.	Cr.
Stock of raw materials 1.1.2019	21,000	
Stock of finished goods 1.1.2019	38,900	
Work in progress 1.1.2019	13,500	
Wages (direct shs.180,000, factory indirect shs. 145,000)	325,000	
Royalties	7,000	
Carriage inwards (on raw materials)	3,500	
Purchases of raw materials	370,000	
Production machinery (cost shs.280,000)	230,000	
Accounting machinery (cost shs.20,000)	12,000	
General factory expenses	31,000	

Lighting	7,500	
Factory power	13,700	
Administrative salaries	44,000	
Salesmen's salaries	30,000	
Commission on sales	11,500	
Rent	12,000	
Insurance	4,200	
General administration expenses	13,400	
Bank charges	2,300	
Discounts allowed	4,800	
Carriage outwards	5,900	
Sales		1,000,000
Debtors and creditors	142,300	125,000
Bank	56,800	
Cash	1,500	
Drawings	20,000	
Capital as at 1.1.2019	<u> </u>	<u>296,800</u>
	<u>1,421,800</u>	<u>1,421,800</u>

Notes at 31.12.2019

1. Stock of raw materials shs.24,000, stock of finished goods shs. 40,000, work in progress shs. 15,000.
2. Lighting and rent and insurance are to be appointed. Factory $\frac{5}{6}$ th, administration $\frac{1}{6}$ th.
3. Depreciation on production machinery and accounting machinery at 10% per annum on cost.

Required:

- i). manufacturing account (5 marks)
- ii). Trading, profit and loss account (10 marks)
- iii). Balance sheet (5 marks)

END

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