



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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**MAIN EXAMINATION**

**JANUARY – APRIL 2019 TRIMESTER**

**FACULTY OF SCIENCE**

**DEPARTMENT OF COMPUTER AND LIBRARY SCIENCE**

**REGULAR PROGRAMME**

**DIT 001: BASIC ACCOUNTING**

**Date: APRIL 2019**

**Duration: 2 Hours**

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

Q1. a) i) Clearly explain the term suspense accounts in book keeping.

**(2marks)**

b) i) Accounting is a systematic process that involves three major tasks. Briefly describe each of these tasks. **(3marks)**

ii) Discuss three characteristics of accounting information.

**(3marks)**

c) List and define the elements found in the following financial statements:

i) Balance Sheet **(3marks)**

ii) Trading and Profit and Loss Accounts **(3marks)**

d) i) Define the term double entry system in book keeping **(1mark)**

ii) Discuss four uses of the Trial Balance in accounting. **(4marks)**

e) Clearly explain the following errors and give an example in each

i) Arithmetic error

ii) Transpositional error

iii) Error of principle

iv) Error of commission

**(8marks)**

- f) List three source documents and explain each of their uses. **(3marks)**  
 Q2. The following trial balance was extracted from the books of J.J business as at 31/12/2017

Item	Debit SHS	Credit SHS
Capital		30,955
Drawings	8,420	
Cash in bank	3,115	
Cash in hand	295	
Debtors	12,300	
Creditors		9,370
Stock 1/1/2017	23,910	
Motor van	4,100	
Office equipment	6,250	
Sales		130,900
Purchases	92,100	
Return inwards	550	
Carriage outwards	215	
Return outwards		307
Carriage outwards	309	
Motor expenses	1,630	
Rent expenses	2,970	
Telephone expenses	405	
Wages and salaries	12,810	
Insurance expense	492	
Office expense	1,377	
Sundry expense	284	
	171,532	171,532

Additional Information:

- i) Value of closing stock as at 31/12/2017 was Shs.27,475
- ii) Bad debts to be written off Shs.400
- iii) Unpaid insurance expenses as at 31/12/2017 was Shs.1,000
- iv) Prepaid rent expenses was Shs.970

**Required:**

Using the VERTICAL format, prepare

- i) Trading, Profit and loss account for the year ended 31/12/2017

**(10marks)**

- ii) Balance sheet as at 31/12/2017.

**(6marks)**

- b) Accounting is guided by various assumptions and principles. Explain the following principles:
- i) Matching concept
  - ii) Money Measurement concept **(4marks)**
- Q3. a) The following transactions took place in Kiprop's business during the month of November 2018.
- |            |   |
|------------|---|
| 1/11/2018  | Owner started business with Shs 50,000 cash                         |
| 3/11/2018  | Paid for business rent worth Shs12,000 cash                         |
| 3/11/2018  | Bought stock worth shs6,000 from Susan on credit                    |
| 4/11/2018  | Deposited shs20,000 cash into the business bank account             |
| 6/11/2018  | Made credit sales from Ondiek worth shs15,000                       |
| 9/11/2018  | Paid for office stationery shs3,000 by cheque                       |
| 10/11/2018 | Paid motor expenses Sh1000 cash                                     |
| 16/11/2018 | Withdrew Shs2,000 from bank for personal use                        |
| 17/11/2018 | Paid Susan the amount due to her less 5% cash discount              |
| 19/11/2018 | Made credit sales to Jumbo worth shs8,000                           |
| 22/11/2018 | Jumbo paid amount due from him with a cheque less 10% cash discount |
| 24/11/2018 | Ondiek paid his dues using cash less 9%cash discount                |
| 27/11/2018 | Received a cheque of 12,000 as rent income                          |
- i) Prepare a three-column cash book for the month **(10marks)**
- b) Clearly differentiate between the following terms:
- i) Receivable Income and Income received in advance
  - ii) Discount received and Discount allowed
  - iii) Carriage Inwards and Carriage outwards **(6marks)**
- c) Users of accounting information can be grouped into two main categories. Name these categories and give two examples in each category.**(4marks)**
- Q4. a) The following financial statement was extracted from the books of Maria traders for the year ended 31<sup>st</sup> December 2017.

	Business A		Business B	
Profit and Loss Account				
Sales		120,000		120,000
Less cost of goods sold				
Opening stock	23,000		22,500	
Add purchases	49,000		81,000	
	72,000		103,500	
Less closing stock	15,000	57,000	21,000	82,500
Gross profit		63,000		37,500
Less depreciation	2,000		3,500	
Other expenses	11,000	13,000	6,000	9,500
Net profit		40,000		28,000

Balance Sheet	Business A		Business B	
Fixed assests				
Equipment at cost	25,000		20,000	
Less depreciation to date	8,000	17,000	6,000	14,000
Current Assets				
Stock	15,000		17,500	
Debtors	25,000		20,000	
Bank	9,000		3,500	
	54,000		41,000	
Less current liabilities				
Creditors	5,000	49,000	10,000	31,000
		66,000		45,000
Financed by:				
Capital:				
Balance at start of year		38,000		36,000
Add net profit		40,000		16,000
		78,000		52,000
Less drawings		12,000		7,000
		66,000		45,000

**Required:**

Calculate the following ratios:

- i) Calculate the following ratios for Business A and Business B
- i) Gross profit as a percentage of sales
- ii) Net profit as percentage of sales
- iii) Gross profit mark up

- iv) Expenses as a percentage of sales
- v) Stock turnover
- vi) Stock days
- vii) Return on capital employed (F.A + C.A-C.L)
- viii) Debtors turnover ratio
- ix) Debt collection period
- x) Creditors turnover
- xi) Creditors payment period
- xii) Current ratio
- xiii) Acid test ratio
- xiv) Debtors/sales ratio
- xv) Creditors/purchases ratio **(15marks)**

NB: All sales and purchases were made on credit basis

- b) Drawing from your knowledge of accounting, considering the differences and similarities of the accounting ratios of A & B. Which business seems to be efficient? **(1mark)**
- c) Clearly discuss the difference between financial accounting and management accounting. **(4marks)**

- Q5. a) Clearly define the following accounting terms
- i) Balance Sheet
  - ii) Accrued Expenses
  - iii) Working Capital
  - iv) Ledger account
  - v) Trial Balance **(5marks)**

- b) List five reasons why businesses maintain accounting records **(5marks)**

- c) Discuss three importance of ratio analysis. **(3marks)**

- d) Huduna Enterprise operates a petty cash book on the imprest system, with a cash float of Shs.15,000 per week. Reimbursement to the petty cashier is made at the beginning of each new week. On 7<sup>th</sup> January 2019, the petty cashier had a balance of Shs4,000 reimbursement was made on the same date.

During the week ended 11<sup>th</sup> January 2019, the petty cashier made the following payments.

7/01/2019	Bus fare shs200, Postage shs.370
8/01/2019	Petrol shs 1000, washing detergents shs.250
9/01/2019	Office repairs shs1200, registered mail shs370

9/01/2019 Receipt books shs 960, petrol shs1200  
10/01/2019 Vehicle repairs shs 1400, paid creditor (PK) shs2000  
11/01/2019 Cleaners wages shs500, biro pens shs230

Required:

Using the analysis columns for postage, stationery, motor expenses, cleaning, miscellaneous and creditors, prepare a petty cash book and show the reimbursement on 14/01/2019. **(7marks)**

**\*END\***