



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A MAIN EXAMINATION

JANUARY – APRIL 2019 TRIMESTER

FACULTY OF LAW

REGULAR PROGRAMME

CLS 415: COMMERCIAL ACCOUNTING

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Date: APRIL 2019

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

Question One

- a) Describe the major causes of differences between the balance shown by the cash book (Bank column) and the bank statement at a given date **(6 Marks)**
- b) The cash book bank column balance of Mark and Company Ltd on 31/12/2018 was a debit balance of 486,526, on the same date the bank statement showed a balance of 845,162.

Upon investigation the following items were identified to cause the difference

- (i) Cheques drawn but not presented for payment 563,902
- (ii) Dishonored cheques 13,960
- (iii) Direct deposits by company debtors 149,871
- (iv) Standing orders executed 75,949
- (v) Dividends and interacts collected by the bank on behalf of Mark and company 36580
- (vi) Cheques deposited but not cleared 265,428
- (vii) Bank charges 26,750

Required

Prepare a bank reconciliation statement for Mark and company as at 31/12/2018 **(10 Marks)**

- c) Accounting has been in existence since the time of Mesopotamia and early civilization, in relation to this:
- i) Discuss the accounting principles, concepts and conventions **(8 Marks)**
 - ii) Describe the various users of accounting information **(6 Marks)**

Question Two

a) Discuss the various source documents **(8 Marks)**

b) Explain why control accounts are prepared **(4 Marks)**

c) The following information was obtained from the books of Fidelis and Kavita Company

Sales ledger debit balance 1/1/08 184,539, credit balance 2,874

Credit sales 567,851

Discounts allowed 1,368

Cash received from debtors 625,837

Bad debts written off 432

You are required to prepare sales ledger control account

(8 Marks)

Question Three

The following information relates to T. Howe traders Ltd for the year ended 31 December 2015.

	Dr	Cr
	Kshs	Kshs
Bank	6,723	
Debtors	18,910	
Creditors		12,304
Stock at 31 December 2014	40,360	
Buildings at cost	100,000	
Equipment at cost	45,000	
Capital		127,486
Purchases	72,360	
Sales		135,486
Carriage inwards	1570	
Carriage outwards	1390	
Salaries	18310	
Rates and occupancy expenses	4235	
Office expenses	3022	
Sundry expenses	1896	
Provisions for depreciation at 31.12.2015		
Buildings		32,000
Equipment		16,000
Drawings	<u>9500</u>	<u>323,276</u>
	<u>323,276</u>	<u>323,276</u>

Notes at 31 December 2015:

(i) Stock at 31 December 2015 was Kshs 52,360

(ii) Rates owing Kshs 280; Office expenses owing Kshs. 190

(iii) Depreciation on cost: Buildings 5 per cent; Equipment 20 per cent.

Required;

- i) Income Statement of for the year ended 31st December 2015 (10 marks)
- ii) Statement of financial position as at that date (8 marks)

Question Four

- a) Briefly describe any two methods of depreciation (4 marks)

b) The following transactions were reported by Malenga stores for the month of January 2016.

- January 1st - Started a business with kshs. 100,000 in the bank
- 1st-Withdrew sh. 20,000 from the bank and put it in the cash till
- 5th- Bought office furniture for shs 25,000 paying by cheque.
- 6th - Purchased goods on credit from the following suppliers
 - P. Otieno shs 40,000
 - K. Karanja shs 45,000
 - P. Mosima shs 40,000
 - J. Mutiso shs 30,000
- 7th - Made purchase in cash shs 10,000
- 10th Sold goods in cash for 25,000
- 11th Made credit sales to the following customers
 - K. Jumash 35,000
 - A Wafula 80,000
 - S. chacha 60,000
 - A. Abdalla 55,000
- 15th paid rent for the premises shs 15,000
- 19th received a cheque for 40,000 from Wafula and cash from shs 25,000 from Abdalla
- 21st paid P. Otieno shs 20,000 by cheque and P. Mosima 25,000 in cash
- 30th Paid salaries and wages shs 20,000 by cheque and 5,000 in cash.

Required

- i) Enter the above transactions in the various ledger accounts and balance off the accounts (10 marks)
- ii) Extract a trial balance on 30th January 2016 (6 marks)

Question Five

Huduma society was formed on 1st April 2017 with a membership of 40. The society's rules provide that each member must pay an entrance fee of Kshs. 2000 on the date of joining. Annual subscription is Kshs 30,000 per member.

At the end of the first year on 31st March 2018, the treasure of the society provided the following information

1. All members had paid their subscriptions for the year except three members.
2. Six members had in addition to the current year, paid subscription for the year commencing 1st April 2018

3. Some acting costumes were purchased for Kshs 225,000 by cash during the year. These are expected to be used by the society for at least five years. After which their value would have been depreciated by equal annual amounts to zero.
4. Total petty expenses for various plays cost Ksh 3500
5. A raffle to augment the society's funds raised shs 360,000
6. A dance conducted during the year raised Kshs 684,000 the dance expenses costed shs 87,000
7. Hire of theatre rooms cost Kshs 120,000 per evening. The rooms were used for eight occasions. Payment has yet to be made for two of the occasions.
8. Salary paid for the workers amounted to Kshs 600,000 while secretarial expenses paid were Kshs 270,000.

Required:

- i) A receipts and payments account for the year ended 31st March 2018.
(7marks)
- ii) An income and expenditure account for the year ended 31st March 2018.
(7marks)
- iii) A balance sheet as at 31 March, 2018
(6marks)

END