



The Co-operative University of Kenya

END OF SEMESTER EXAMINATION AUGUST -2018

EXAMINATION FOR THE CERTIFICATE IN PURCHASING & SUPPLIES MANAGEMENT / BUSINESS MANAGEMENT (YR I SEM I)

UNIT CODE: CPS / CBM 0106

UNIT TITLE: FOUNDATIONS OF ACCOUNTING

DATE: 27TH AUGUST, 2018

TIME: 11:30 AM – 1:30 PM

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- (a) Distinguish the difference between the following terms as used in business. (6 Marks)
- Accounting and book keeping
 - Capital and liabilities
 - Accruals and prepayments
- (b) (i) Write short notes on; **Personal, Real and Nominal accounts.** (6 Marks)
- (ii) List and explain TWO bodies in charge of accounts profession. (4 Marks)
- (iv) Outline TWO importance of journals. (2 Marks)
- (c) The following are details of Bett's business transactions;

Year 2016

May 2 Credit sales to E. Kamau	sh. 11,800
“ 2 Credit purchases to H Opati	sh 8,600
“ 4 Credit sales to J Omondi	sh 1,700
7 Credit sales to N. Kimanzi	sh 21,800
8 Credit sales to P. Amino	sh 4,200
12 Credit credit purchases from M. Kibaki	sh 6,200
13 Credit sales to E. Kamau	sh 42,000
13 Credit credit purchases from G. Njenga	sh. 9,200
15 Return inwards from J Hadija	sh. 100
16 Return outwards to K Nyongesa	sh. 1,220

Required; Prepare sales journal, purchases journal and general journal to record the above information. (12 Marks)

QUESTION TWO

- (a) Susan drew up the following trial balance as at 31st December 2016.

	Dr	Cr
	Sh	sh
Capital		3,914,500
Cash at bank	999,200	
Cash in hand	29,500	
Debtors	1,010,000	
Creditors		616,000
Stock 31 st December 2016	1,001,000	
Motor van	410,000	
Office equipment	625,000	
Sales		10,770,000
Purchases	9,210,000	

Motor expenses	165,000	
Rent	293,000	
Telephone charges	2,500	
Wages and salaries	1,280,000	
Insurance	60,200	
Office expenses	134,7000	
Sundry expenses	40,400	
	<u>15,300,500</u>	<u>15,300,500</u>

Required;

- (a) Draft Statement of comprehensive income for the year ending 31st December 2017. (10 Marks)
- (b) Statement of financial position as at 31st December 2017. (10 Marks)

QUESTION THREE

- (a) Accounting records and reports provide information to various interested parties. State and explain the users of financial information. (8 Marks)
- (b) The following transactions were extracted from the books of Michael Mwalishi's business for the period of March 2004.

March 1	Balance brought forward cash sh 4,700 bank sh 17,000
March 2	Cash sales sh 20000
March 5	Cash sales sh 42,000
March 10	Cash purchases sh. 18,000
March 13	Sales paid for by cheques of sh 40,000
March 18	Paid sh 50,000 by cheque
March 23	Purchases by cheque sh. 12,000
March 26	Withdrew cheque for own use sh. 4,800
March 30	Paid for advertisement in cash sh 1,152.

Required;

Show the above transactions in two column cash book, balance it off and bring down the balance. (12 Marks)

QUESTION FOUR

- (a) Explain the common causes of differences between cash book and bank reconciliation. (6 Marks)
- (b) Ron Knuckle set up a business selling keep fit equipment, trading under the name of Buy Your Biceps Shop. He put shs 7,000 of his own money into a business bank account on 1st January, 2017 (transaction A), the following transactions occurred during the year;

Transaction	shs
B Paid rent of shop for the period	3,500
C Purchased equipment (Inventories) on credit	5,000
D Raised loan from bank	1,000
E Purchase of shop fittings (for cash)	2,000
F Sales of equipment; cash	10,000
G Sales of equipment; on credit	2,500
H Payments for trade accounts payable	5,000
I Payments from trade accounts receivable	2,500
J Interest on loan (paid)	100
L Drawings	1,500

Required;

Record the ledger entries for the above transactions and extract a trial balance as at 31st December, 2017. (14 Marks)

QUESTION FIVE

- (a) Discuss the principles (Concepts) underlying the accounting reports. (6 Marks)
- (b) Describe 4 errors that do not affect Trial balance. (8 Marks)
- (c) State and explain basic accounts source documents. (6 Marks)