



The Co-operative University of Kenya
END OF SEMESTER EXAMINATION NOVEMBER-2019

**EXAMINATION FOR THE CERTIFICATE IN BUSINESS MANAGEMENT / CERTIFICATE
IN CO-OPERATIVE MANAGEMENT**

UNIT CODE: CBM 0107 / CMAF 1110

UNIT TITLE: FUNDAMENTALS OF ACCOUNTING / FOUNDATIONS OF ACCOUNTING

DATE: 29TH NOVEMBER, 2019

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

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

QUESTION ONE

- (a) Classify the following items into non-current and current asset; current liabilities and capital. Premises, office equipment, debtors, fixtures and fittings, cash, stock, bank- overdraft, goodwill, accrued, expenses, prepaid expenses and initial investments to start the business. (5 marks)
- (b) Calculate capital from the following:
Mort vehicle sh.25, 000, debtors sh.6, 500, creditors sh.3, 600, stock sh.3, 700, cash at bank sh.2, 500, and bank loan sh.6, 000. (5 marks)
- (c) Differentiate between discount received and discount allowed and explain their accounting treatment in the books of account. (5 marks)
- (d) Explain using relevant examples matching and revenue realization principles. (5 marks)
- (e) Given the information below write up a petty cash book with the following columns; the petty cashier was reimbursed sh. 20,000
- i. Postage and telegram
 - ii. Stationery
 - iii. Traveling
 - iv. Office expenses
 - v. The ledger
- 1) January 1 received petty cash Sh 20000
 - 2) January 1 paid for sugar Sh 700
 - 3) January 2 bought pencils and pens Sh 800
 - 4) January 4 bus fare Sh 400
 - 5) January 5 telegram Sh 1500-
 - 6) January 8 envelopes Sh 900
 - 7) January 9 paid David (trade creditor) Sh 6000
 - 8) January 9 coffee Sh 200
 - 9) January 15 cleaning Sh14000 (10 marks)

QUESTION TWO

Mr. Kamau commenced business on 1 January 2016 with cash in hand of sh.50,000 and a deposit into the bank account of shs.100,000. The following transactions took place during the month of January 2010.

2016		Kshs.
January:		
1	Bought goods from s. Karanja on credit	50,000
	Purchased shop fittings for cash	8,000
2	Sold goods on credit to T. Choge	16,000
	Withdrew cash from bank for business	4,000

3	Sold goods on credit to M. Wambua	20,000
	S. Karanja was paid by cheque on account	30,000
4	Received cash from T. Choge	15,400
	Allowed T. Choge Discount	600
5	Drew a cheque for wages	1,400
8	Bought goods for cash	6,000
9	Sold goods to L. Rotich on credit	34,000
10	Purchased goods from F. Peterson on credit	26,000
11	Paid cheque to S. Karanja in full settlement	19,000
	S. Karanja allowed discount of	1,000
12	Paid cash for carriage on goods sold	400
13	Drew a cheque for wages	1,400
15	Bought goods from S. Karanja on credit	30,000
	Bought goods for cash	8,000
16	Sold goods for M. Wambua on credit	36,000
17	K. Wambua paid cheque on account	40,000
18	Purchased goods from J. Wambua on credit	15,000
19	Sold goods for cash	18,400
20	Drew a cheque for wages	1,400
22	Sent cheque to J. Wambua	14,400
	J. Wambua allowed a discount of	600
23	Bought goods from S. Karanja on credit	48,000
	Bought goods for cash	14,600
24	Sold goods on credit to T. Choge	26,000
25	Sent cheque on account to S. Karanja	40,000
26	Received cash form T. Chege	20,000
27	Drew cheque for wages	1,400
	Paid for electricity by cheque	
	Paid for rent in cash	1,000
	Withdrew cash for personal use	1,600
		3,000

Required:

Prepare ledger accounts, balance off and prepare a trial balance

(20 marks)

QUESTION THREE

(a) Explain TWO reasons for preparing a bank reconciliation statement.(6 marks)

(b) J. Otiende received his bank statement for the month ended 31st December 2016.

As at this date, his balance at the bank amounted to sh.2, 862,000 whereas his cashbook showed a balance of sh.9, 466,000. His accountant investigated the matter and discovered the following:

1. Cheques drawn by J. Otiende totaling sh.90, 000 had not yet been presented to the bank.
2. Bank charges of sh.12, 000 had not been entered into the cash book
3. J. Otiende had not entered receipts of sh.106, 000 into the his cash book
- 4 The bank had not credited J. Otiende with receipts of sh.394, 000 paid into the bank on 31st Dec. 2016.
- 5 Standing order payments of sh.248, 000 had not been entered into the cash book.
- 6 J. Otiende had entered a payment of sh.100, 000 as sh.118, 000 in his cash book.
- 7 A cheque of sh.60, 000 received from a debtor had been returned by the bank marked “refer to drawer” but this cheque had not been written bank in the cashbook.
- 8 An old payment by cheque of sh.176, 000 which had been written back in the cashbook had already been honoured by the bank.
- 9 J. Otiende had brought down his opening cash book balance of sh.1, 317,000 as debit balance instead of a credit balance.
- 10 Some of J. Otiende’s customers had agreed to settle their debit by direct payment into J. Otiende’s account. Unfortunately, some of these payments amounting to sh.3, 330,000 had been credited to another bank customer’s account.

Required:

- i. A statement showing J. Otiende’s adjusted cashbook balance as at 31 December 2016. (8 marks)
- ii. A bank reconciliation statement as at 31 December 2016. (6 marks)

QUESTION FOUR

Tom Onyango, who operates a retail shoe, commenced his business on 1 April 2015. The following is a summary of his transactions for the month of April 2015:

April 2015:

- 1 Commenced business by depositing sh.96,000 in the bank
- 2 Paid rent deposit of sh.1,000 by cheque
- 4 Bought fitting on credit from M. Odipo for sh.2,100
- 5 Bought goods and paid for them by cheque sh.18,000
- 6 Bought goods on credit from O. Maithya sh.21,300; M. Gachomba in 17,100 T. Kibogy sh.38,800
- 7 Made cash sales of sh.960
- 8 Sold goods on credit to A. Ondhere sh.7.200; R. Kimani sh.11,000, L. Nduati sh.17,500/
- 9 Paid in cash sh.500 for miscellaneous expenses.
- 11 Withdrew sh.600 from bank for personal use
- 12 Made cash sales of sh.2,000
- 13 Sold goods on credit to R. Kimani sh.25,600; O. Ndeviki sh.7,450, M, Kabaki sh,8,300.
- 14 A. Onchere returned goods worth sh.550
- 15 Tom Onyango paid sh.17,000 into the business bank account from private account.
- 16 Tom Onyango return goods worth sh.1,300 to M. Gachamba
- 18 Bought fittings and paid sh.680 cash
- 20 Received cheques from A. Onchere sh.6,650, L. Nduati sh.17,500
- 21 Paid the following suppliers by cheque: O. Maithya sh.21,300, M. Gachomba sh.15,800
- 23 Paid rent amounting to sh.2,300 by cheque
- 25 withdrew sh.900 from the cashbox for personal use
- 27 Received a cheque for sh.36,660 from R. Kimani
- 28 Paid T. Kibogu sh.38,800 by cheque
- 29 Paid wages amounting to sh.1,100 by cash.

- 30 withdrew cash from bank amounting sh.2,330 for use in the business.
- 30 Bought goods on credit worth sh.22,760 from O. Maithya

Required:

- (a) Open three column cashbook to record the above transactions. (15 marks)
- (b) Extract Tom Onyango's trial balance as at 30 April 2015 (5 marks)

QUESTION FIVE

Using relevant examples differentiate between:

- (a) Non-current and current liabilities (8 marks)
- (b) Non-current and current assets (8 marks)
- (c) Calendar and fiscal year. (4 marks)