



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

**DIPLOMA EXAMINATION**

**(YR II SEM I)**

**UNIT CODE: DMTM 1104**

**UNIT TITLE: PRINCIPLES OF ACCOUNTING I**

**DATE: 29<sup>TH</sup> NOVEMBER, 2019**

**TIME: 2:00 PM – 4:00 PM**

**INSTRUCTIONS:**

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

**QUESTION ONE**

- a) Define the following accounting concepts and for each explain their implication in the preparation of financial statements.
- The Going concern concept (3 marks)
  - Business entity concept (3 marks)
  - Materiality (4 marks)
- b) Explain briefly the accounting process (10 marks)
- c) D Moody has the following assets and liabilities as on 31 April 2012:

Creditors	15,800
Equipment	46,000
Motor Vehicle	25,160
Stock	24,600
Debtors	23,080
Cash at bank	29,120
Cash in hand	160

During the first week of May 2012 Moody:

- Bought extra equipment on credit for sh5,520.
- Bought extra stock by cheque sh2,280.
- Paid creditors by cheque sh3,160.
- Debtors paid sh 3,360 by cheque and sh240 by cash.
- Moody put in extra sh1,000 cash as capital.

**Required:**

Determine the capital as at 1<sup>st</sup> May 2012.

(10 marks)

## QUESTION TWO

The following data was extracted from the books of Mongina enterprises for the month of July 2018

- July 1 Credit purchases from: K Hill sh. 3800; M Norman sh. 500; N Senior sh. 106.  
“ 3 Credit sales to: E Rigby sh. 510; E Phillips sh. 246; F Thompson sh. 356.  
5 Credit purchases from: R Morton sh. 200; J Cook sh. 180; D Edwards sh. 410; C Davies sh. 66.  
“ 8 Credit sales to: A Green sh. 307; H George sh. 250; J Ferguson sh. 185.  
“ 12 Returns outwards to: M Norman sh. 30; N Senior sh. 16.  
“ 14 Returns inwards from: E Phillips sh. 18; F Thompson sh. 22.  
“ 20 Credit sales to: E Phillips sh. 188; F Powell sh. 310; E Lee sh. 420.  
“ 24 Credit purchases from: Ferguson sh. 550; K Ennevor sh. 900.  
“ 31 Returns inwards from: E Phillips sh. 27; E. Rigby sh. 30.  
“ 31 Returns outwards to: J Cook sh. 13; C Davies sh. 11.

Required;

Post the above transactions into relevant ledger accounts and balance them off (20 marks)

## QUESTION THREE

The following information was obtained from Cassandra best Mandazi enterprises for the month of March 2018;

- Mar 1 Balances brought forward: Cash sh. 230; Bank sh. 4,756.  
“ 2 The following paid their accounts by cheque, in each case deducting 5 percent discounts: R Burton sh. 140; E Taylor sh. 220; R Harris sh. 800.  
“ 4 Paid rent by cheque sh. 120.  
“ 6 J Cotton lent us sh. 1,000 paying by cheque.  
“ 8 We paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: N Black sh. 360; P Towers sh. 480; C Rowse sh. 300.  
“ 10 Paid motor expenses in cash sh. 44.  
“ 12 H Hankins pays his account of sh. 77, by cheque sh. 74, deducting sh. 3 cash discount.  
“ 15 Paid wages in cash sh. 160.  
“ 18 The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston sh. 260; R Wilson & Son sh. 340; H Winter sh. 460.  
“ 21 Cash withdrawn from the bank sh. 350 for business use.  
“ 24 Cash Drawings sh. 120.

“ 25 Paid T Briers his account of sh. 140, by cash sh. 133, having deducted sh. 7 cash discount.

“ 29 Bought fixtures paying by cheque sh. 650.

“ 31 Received commission by cheque sh. 88.

**Required:**

i) Prepare a three column cashbook and balance it off (18 marks)

ii) Open relevant discount accounts and post the discounts (2 marks)

**QUESTION FOUR**

The following trial balance has been drawn up from the accounts of Endpages bookshop.

Trial balance as at 31 December 2018

	<b>Dr</b>	<b>Cr</b>
	sh	sh
Sales		151,500.00
Purchases	103,500.00	
Salaries and wages	18,700.00	
Office expenses	2,500.00	
Insurance	1,100.00	
Electricity	600.00	
Stationery	2,400.00	
Advertising	3,500.00	
Telephone	800.00	
Rates	3,000.00	
Discount allowed	100.00	
Discount received		200.00
Rent received		2,000.00
Returns inwards	1,500.00	
Returns outwards		3,500.00
Stock at 01 Jan 2018	46,000.00	
Premises	80,000.00	
Stock as at 31 Dec 2018	41,000.00	
Fixtures and fittings	5,000.00	
Debtors and Creditors	4,800.00	7,500.00

Cash in Hand	200.00	
Cash in bank		12,000.00
Capital		11,000.00
Drawings	14,000.00	
Stock as at 31 Dec 2001		<u>41,000.00</u>
	<u>328,700.00</u>	<u>328,700.00</u>

Required

Prepare an income statement for the year ended 31 December 2018 and a statement of financial as at 31 December 2018

(20 marks)

### QUESTION FIVE

- a) Draw up a bank reconciliation statement, after writing the cashbook up to date, ascertaining the balance on the bank statement, from the following as on 31 March 2003:

(10 marks)

	sh
Cash at bank as per bank column of the cashbook (Dr)	38,960
Bankings made but not yet entered on bank statement	
6,060	
Bank charges on bank statement but not yet in cashbook	280
Un presented cheques C Clarke	1170
Standing order to ABC Ltd entered on bank statement, but not in cash book	550
Credit transfer from A Wood entered on bank statement, but not yet in cashbook	
1,890	

- b) Explain five causes of discrepancies between bank statement and cash book balances

(10 marks)