



The Co-operative University of Kenya

SUPPLEMENTARY / SPECIAL EXAMINATION AUGUST-2019

EXAMINATION FOR THE CERTIFICATE IN BUSINESS MANAGEMENT

UNIT CODE: CBM 0106

UNIT TITLE: FOUNDATIONS OF ACCOUNTING

DATE: 26TH AUGUST, 2019

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

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

QUESTION ONE

- (a) A business made sales worth ksh.500, 000 purchases amounting to ksh.250, 000. Business inventory was valued at ksh.30, 000 on 1.1.2010 and ksh.50, 000 on 31/12/2010. Expenses incurred amounted to ksh.2, 000 and 1, 000 for electricity and maintenance respectively.

Calculate:

- Net sales (2 marks)
 - Cost of sales (3 marks)
 - Gross profit (3 marks)
 - Net profit (2 marks)
- (b) Using illustrations explain the accounting cycle (10 marks)
- (c) Journalize the following transactions and post them in a ledger (10 marks)

2006

- January 1 Commenced business with cash 50,000
January 3 Paid into bank 25,000
January 5 Purchased furniture for cash 5,000
January 8 Purchased goods and paid by cheque 15, 000
January 8 Paid for carriage 500
January 14 Purchased goods from K. murthy 35, 000
January 18 Cash sales 32,000
January 20 Sold goods to Ashok on credit 28, 000
January 25 Paid cash to K. Murthy in full settlement 34,200
January 28 Cash received from Ashok 20,000
January 31 Paid rent for the month 2,000
January 31 Withdrew from bank for private use 2,500

QUESTION TWO

- (a) Explain the following GAAP's
- Going concern (3 marks)
 - Prudence principles (3 marks)
 - Materiality concept (3 marks)
- (b) The following information relates to the books of Mr. Kinyanjui for the year ended 30th June 2016.
- Balance in hand ksh.5, 000
 - Sold goods to Mr. Ray on credit ksh.3, 000
 - Sold goods for cash ksh.1,000
 - Purchased goods on credit from Mr. Phy for ksh. 3, 000
 - Paid to Mr. Phy for 2, 000 and received discount ksh.200
 - Returned goods to Mr. Phy for sh.800

- 20 Goods returned by Mr. Ray for sh.300
- 25 Mr. Ray settled his account for ksh.2, 500
- 26 Paid salary by cheque for Ksh.1, 000
- 30 Received interest for Ksh.1, 000

Required:

Prepare a cashbook

(11 marks)

QUESTION THREE

The trial balance extracted from the books of Mr. Wessy is as follows:

Lands and building	9,000	
Motor vehicles	8,000	
Sales		40,500
Fixtures and fittings	2,000	
Opening stock	3,000	
Purchases	24,000	
Advertising	1,000	
Commissions	2,000	
General expenses	1,500	
Insurance	1,000	
Debtors	6,000	
Creditors		6,000
Cash in hand	2,500	
Electricity	1,500	
Salary and wages	2,000	
Water	2,000	
Telephone	2,000	
Capital		21,000
	67,500	67,500

Closing stock was valued at 4,000.

Required:

Prepare the following

- (a) Statement of profit and loss (10 marks)
- (b) Statement of financial position (10 marks)

QUESTION FOUR

- (a) Identify FIVE users of financial information (5 marks)
- (b) Differentiate between book keeping and accounting (5 marks)
- (c) The following information relates to Marwa traders for the month of March 1996.

March 1994

- 2 Bought goods worth 40, 000 from Wanga on credit invoice no.0001
- 3 Bought goods worth 16, 500 on credit from Jumia invoice no.0004
- 6 Bought goods on credit worth 30, 000 from Njau
- 10 Purchased goods on credit from Wama worth 26, 700 invoice no. 0006, from veity worth 56, 000 receipt no.9
- 12 Purchased goods on credit from Wama worth 58, 900 invoice no.0100
- 18 Bought goods worth 16,200 on credit from Njau
- 20 Purchased goods worth 45, 800 from Kamau with cash receipt no.10
- 24 Purchased goods worth 36, 000 from Juma on credit invoice no.0090

Required:

Prepare a purchases journal

(10 marks)

QUESTION FIVE

- (a) What is a journal (2 marks)

- (b) Give TWO reasons why a journal is important to prepare (4 marks)
- (c) The following are the transactions of Daniel Ram and sons for the month of July 2006. Make journal entries, post them into ledger and balance the account (14 marks)

July 2006

- 1 Commenced business with cash 60, 000
- 2 Paid into bank 40,000
- 5 Purchased furniture for cash 5,000
- 7 Purchased goods and paid for them by cheque 20,000
- 9 Sold goods to Lata for cash 12,000
- 10 Sold goods to Moha on credit 24, 000
- 12 Purchased goods from Harry 30, 000
- 18 Withdrew cash for domestic use 2,500
- 20 Received a cheque from Moha on account 18, 900. Allowed him discount 100
- 27 Paid to Harry cash on account 16, 800. Discount allowed by him 200
- 31 Paid salary by cheque 1,800
- Paid cash for telephone bill 600