



The Co-operative University of Kenya

END OF SEMESTER EXAMINATIONS DECEMBER-2019

**EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE
BUSINESS (YR IV SEM II)**

UNIT CODE: HCOB

UNIT TITLE: FINANCIAL ACCOUNTING I

DATE: 9th DECEMBER 2019

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

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

QUESTION ONE

- (a) Outline and explain any FIVE user of accounting information. (5 Marks)
- (b) What are purposes of control accounts. (5 Marks)
- (c) The following trail balance was extracted from the accounting records of Kipruto as on December 31. 2018.

	Dr (shs)	Cr (shs)
Capital		250,000
Stock 1/1/2015	25,000	
Plant and machinery (cost)	250,000	
Motor vehicles (cost)	80,000	
Provision for depreciation of plant and machinery		20,000
Provision for depreciation of motor vehicles		16,000
Purchases	360,000	
Sales		600,000
Sales returns	40,000	
Purchase returns		20,000
Wages and salaries	60,000	
Discounts	5,000	4,000
Carriage inwards	2,500	
Carriage outwards	3,000	
Postage and telephone	7,500	
Water and electricity	8,600	
Bad debts written off	1,500	
Provision for bad debts		1,000
General expenses	8,500	
Rents and rates	15,000	
Debtors and creditors	55,000	46,600
Cash in hand	6,000	
Cash at bank	30,000	
	957,600	957,600

Additional Information;

- (a) Closing stock on 31st December, 2016 was valued at shs 22,500

- (b) Depreciation it to be charged at 10% on cost of plant and machinery and 20% on cost of motor vehicles.
- (c) Accrued rent is shs. 3,000 and prepaid rates are shs. 1,000
- (d) Outstanding electricity expenses is sh. 600
- (e) Provision of bad debts is to be increased by shs. 300

Required;

Prepare income statement for the year ending 31st December, 2018 and a balance sheet as on that date.

QUESTION TWO

On 31st December 2015 the cash book of Magiti showed a balance at the bank of sh 8,100. The bank statement however showed a balance of sh 6,700. Going through the bank statement he found out that;

- (i) A cheque received from Taifa Ltd on 1st December for sh 600 and entered into the cash book did not appear on the bank statement.
 - (ii) A cheque paid to Kamara sh 700 on 25th December had not been presented to the bank for payment.
 - (iii) A cheque received from Njiru on 24th December sh 600 and entered into the cash book was returned dishonoured. No entry in this regard was recorded in the cash book.
 - (iv) Bank charges amounting to sh 100 had not been entered into the cash book.
- (a) Explain any TWO purposes of a bank reconciliation statement. (4 Marks)
- (b) Differentiate between a two column cash book and a three column cash book. (4 Marks)
- (v) The bank received directly sh 1000 from E.A.B.L as dividends on 18th December on behalf of Mangiti.
 - (vi) A cheque payment of shs 2000 to Olivia had been entered in error sh 200 in the cash book.

Required;

- (I) Make the necessary entries to update the cash book. (6 Marks)
- (II) Prepare a bank reconciliation statement for Mangiti for the month of December 2015. (6 Marks)

QUESTION THREE

- (a) Write short notes on FIVE source documents. (10 Marks)
- (b) Explain any FIVE Generally Accepted Accounting Principles. (10 Marks)

QUESTION FOUR

- (a) Explain FIVE Errors that do not affect the trial balance. (5 Marks)
- (b) A book keeper extracted a trial balance on 31st December 2018 that failed to agree by 3,300 a shortage on the credit side of the trial balance. A suspense account was opened for the difference. In January 2019 the following made in 2018 were found;
- Sales day book had been under cast by kshs 1,000
 - Sales of shs 2,500 to James had been debited in error to Jane Account.
 - Rent account had been under casted by kss 700
 - Discount received account had been under cast by kshs 3,000
 - The sale of a motor vehicle at book value had been credited in error to sales account kshs 3,600

Required;

- (i) Journal entries to correct the above errors. (4 Marks)
- (ii) Draw a suspense account after the errors, stated above have been corrected. (4 Marks)
- (iii) If the net profit had previously been calculated as kshs 79,000 for the year ended 31st December 2013, show the calculations of the corrected net profit. (3 Marks)

QUESTION FIVE

- (a) A machine was purchased for a sum of kshs 20,000 having useful life of 3 years. From the above particulars, you are required to calculate depreciation under Sum of Year Digits Method. (5 Marks)
- (b) Njeri has the following assets and liabilities as on 30 Novmber 2018. Creditors sh. 39,500; Equipment shs 115,000; Motor vehicle sh 62,900; stock shs 61,500; Debtors sh. 57,700; cash at bank sh, 72,800 and cash in hand sh 400
- (c) Compute the balance on the capital account as at 30 November 2018;
- (d) During the first week of December 2018, Njeri;
- (i) Bought extra equipment on credit for sh. 13,800
 - (ii) Bought extra stock by cheque sh. 5,700
 - (iii) Paid creditors by cheque sh. 7,900
 - (iv) Received from debtors sh.8,400 by cheque and sh 600 by cash.
 - (v) Put in extra sh 2.500 cash as capital.

Required;

Draw up a balance sheet as on 7 December 2012 after the above transactions have been completed. (15 Marks)