



The Co-operative University of Kenya

END OF SEMESTER EXAMINATION AUGUST -2018

EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT
(YR I SEM I)

UNIT CODE: COCM 1101

UNIT TITLE: FINANCIAL ACCOUNTING I

DATE: 24TH AUGUST, 2018

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

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

QUESTION ONE

- (a) The following information was presented to you by Mrs. Mawendo for August, 2018.

August separate date from the respective sentence.

1 Bought fixtures on credit from Harper sh. 18,090

5 He took sh. 5,000 goods out of business for personal use.

9 Sh. 580 of the goods taken on 5th August, was returned back into stock by her. She does not take money for return of the good.

13 Mr. Karanja owes her sh. 5,000. He is unable to pay his debt and Mrs. Mawendo agreed to take some office equipment from him at the value and to cancel the debt.

18 Some of the fixture bought from Habari Njema Furniture sh. 650 worth, are found to be unsuitable and are returned to him for full allowance.

24 A debt owing to her by Black Ltd sh. 680 is written as a bad debt

30 Office equipment bought on credit from Habari Njema Furnitures for sh. 21,900

31 Paid salaries and wages sh. 8,000

Required;

- (i) Ledger accounts duly balanced with a balance brought down. (12 Marks)
(ii) Extract a balances trial balance (8 Marks)
(b) Using an illustration, explain FIVE errors that do not affect a trial balance. (10 Marks)

QUESTION TWO

The following information relates to Nyaituga Co-operative Society Ltd as at 31st August, 2018

August 2018

- 1 Balance brought forward, cash sh 970, bank sh 21,860
2 The following paid us by cheque in each case deducting a 5% cash discount; Harris sh 10,000. White sh 2,8000, Pear sh 180 and Hardy sh 6,000
3 Cash sales paid direct into the bank sh 1,340
5 Paid rent by cash sh 880
6 We paid the following account by cheque, in each case deducting 2.5% cash discount; Chartten sh 4,000, Harbers sh 6,400 Cross sh. 2,000
8. Withdrew cash from the bank for businesses us sh 2,500
10. Cash sales sh 200
12. Deeds paid you their account sh 890 by cheque less sh 20 cash discount
14. Paid wages by cash sh. 2,500
16. We paid the following accounts by cheque; Lucas sh 1,170 less Cash discount sh 60, Fisher sh 2,060 less cash discount sh 80
20. Bought fixtures by cheque sh 80,000
24. Bought motor lorry paying sh 71,660 by cheque

29. Received sh 169 cheque from stel
30. Cash sales sh 1,160
30. Bought stationery paying by cash sh 600

Required;

Extract a three column cashbook; balance off the cash book and show balances carried down in each case. (20 marks)

QUESTION THREE

The following trial balance has been extracted from the ledgers of Mr. Shakashaka Ltd as at 31st August, 2018.

| | Dr <u>(sh '000'</u> | Dr <u>(sh '000'</u> |
|----------------------------|------------------------|------------------------|
| Purchases and Sales 8 | 82,350 | 138,078 |
| Carriage | 5,144 | |
| Drawings | 7,800 | |
| Rent, rates and insurance | 6,622 | |
| Postage and stationery | 3,001 | |
| Advertising | 1,330 | |
| Salaries and wages | 26,420 | |
| Bad debts | 877 | |
| Provision for bad debts | | 130 |
| Cash in hand | 177 | |
| Cash at bank | 4,012 | |
| Stock at 1 September, 2017 | 11,927 | |
| Equipment (At cost) | | |
| Accumulated depreciation | | 19,000 |
| Capital | | 56,100 |
| Debtors and creditors | <u>12,120</u> | <u>6,472</u> |
| | <u>219,780</u> | <u>219,780</u> |

The following additional information as at 31st August, 2018 is available;

- (i) Rent is accrued by sh 210,000
- (ii) Rates have been prepared by shs 880,000
- (iii) Shs 2,211,000 of carriage represents carriage inward on purchases
- (iv) Equipment is to be depreciated a 20% per annum using the straight line method
- (v) The provision for bad debts to be increased by sh 40,000
- (vi) Stock at the close of business has been valued at shs 13,551,000

Required;

- (a) An income statement for the year ended 31st August 2018 (12 marks)
- (b) A statement of financial position as at that date (8 marks)

QUESTION FOUR

The following constitute the transactions of Otunda Co-operative society for the month of August, 2018.

- (a) Opening cash balance at bank sh 1,400,000
- (b) Received cheque for sh. 1,250,000 in respect of sales on 2nd August, 2018
- (c) Purchased goods worth sh. 13,210,000 and issued a cheque. The bank charged sh 3,000 for collection of the cheque to the concerned party.
- (d) Office expenses paid by cheque 4,500 and sh,500 for stationery
- (e) Out of cash sales of 13,265,000 a sum of sh 10,000,000 was deposited in the bank while the rest was used directly to buy a machinery.

- (f) Withdrawn from bank sh. 50,000 for personal use.
- (g) Interest of sh. 122,200 was credited by the bank
- (h) An amount of sh.150,000 was withdrawn from the bank and used to pay salaries
- (i) The Co-operativ society withdrew sh. 480,000 for retention as cash float.

Required;

A two column cashbook duly balanced.

(20 Marks)

QUESTION FIVE

- (a) Identify FIVE users of accounting information and explain their interest in information.

(10 marks)

- (b) Explain the following accounting terms

- (i) Accrued expenses

(2 Marks)

- (ii) Income in advance

(2 Marks)

- (iii) Going concern

(2 Marks)

- (iv) Carriage inwards

(2 Marks)

- (v) Imprest system

(2 Marks)