



The Co-operative University College of Kenya
(A Constituent College of Jomo Kenyatta University of Agriculture & Technology)

END OF SEMESTER EXAMINATION APRIL-2015

EXAMINATION FOR THE DIPLOMA IN BUSINESS ADMINISTRATION

UNIT TITLE: PRINCIPLES OF ACCOUNTING

DATE: 27TH APRIL, 2015

TIME: 9.00 A.M. – 11. 00 A.M.

INSTRUCTIONS:

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

QUESTION ONE

- (a) Explain THREE causes of differences between the cash book balance (bank column) and the bank statement. (6 marks)
- (b) Explain FOUR errors which may not be disclosed by a trial balance. (6 marks)
- (c) Explain THREE purpose of the general journal. (6 marks)
- (d) Explain FIVE accounting concepts. (10 marks)

QUESTION TWO

H.M enterprise had the following balances as at 31st December 2011

	Dr	Cr
	Sh.	Sh.
Capital		1,000,000
Purchases	400,000	
Fixtures and fittings	85,000	
Motor lorry	250,000	
Sales		650,000
Discount allowed and received	500	450
Rent paid	15,500	
Rent received		550
Insurance	35,400	
Transport	28,100	
Electricity	2,500	
Debtors	250,000	
Creditors		84,450
Rates	1,500	
Stock (1.1.2011)	38,00	
Salaries and wages	220,000	
Bad debts	4, 400	
Drawings	1, 500	
Bank balance	590, 000	
Cash balance	<u>11, 050</u>	
	<u>1, 735, 450</u>	<u>1, 735, 450</u>

In addition to the trial balance, the following information is available for you

- i. Provide for depreciation in fixtures and fittings at 2% p.a and motor lorry at 5% p.a.

- ii. Stock unsold on 31.12.11 was sh.22, 000
- iii. Of electricity paid, shs.200 was in advance and for rates sh.100 in advance
- iv. Shs.1, 600 was outstanding in respect of insurance

Required:

Prepare in vertical format:-

1. The income statement for the year ended 31.12.11 (10 marks)
2. A statement of financial position as at 31.12.11 (10 marks)

QUESTION THREE

According to the cashbook of isiolo deep end enterprises, the firm has a credit balance at the bank of shs.7, 600 on 30th September 2012, but if not borne out by the bank statement of the same date. An investigation into the difference reveals the following information:-

- i. A standing order for a charitable subscription of sh.800 had been made by the bank on 29th September 2012 but no entry had been made in the cash book.
- ii. A cheque paid for seller promotion on 15th September 2013 for 1790 had been entered in the cash book as 1970.
- iii. Cheque received from the cashmeres amounting to sh.33, 600 were paid into the bank on 30th September but were not credit by the bank until 2nd October 2012.
- iv. Cheques for sh.20, 740 sent to creditors on 30th Sept 2012 were not paid by the bank until 5th October 2012.
- v. On 25th September 2012 a cheque for shs.2, 280 was received from a customer in settle for an invoice for shs.2, 400. An entry of sh.2, 400 had been made in the cashbook.

Required:

- (a) Prepare a statement reconciling the cashbook balance with the bank statement. (? marks)
- (b) Explain hoe a company may have reduced its bank balance during an accounting period but still have earned profit for that same period. (? marks)

QUESTION FOUR

The following information relates to kajuju enterprises as 30th May 2008

May		Sh.
1	Balances brought forward from April	
	Cash balance	
	Bank balance	
	Debtors account	
	B. Kingori	
	N. Kabiru	
	D. Sasha	
	Creditors account	
	U. Baru	
	A. Alago	
	R. Riungu	
2	B. Kingori pays Kajuju mount by cheque having deducted 2½% cash discount shs.3	117
8	Kajuju ** pay R. riungu has account by cheque deducting 5% cash discount sh. 5	95
11	Withdrew shs.100 cash from bank for business use	100
16	N. Kabiru pay the enterprises his account by cheque , deducting 2½ % discount shs.7	273
25	Wages paid cash	92
28	D. Sasha pays cash after having deducted s% cash discount shs.3	57
30	Paid A. Alago by cheque less 2½% cash discount shs.11	429

Required:

1. Prepare a 3 column cash book (15 marks)
2. Show the discounts account in the general ledger. (5 marks)

QUESTION FIVE

Carol commenced business on 1st Jan 2007 and makes her account to 31st December every year. For the year ended 31st December 2007, bad debts written off amounted to shs.1200 it was also found necessary to create a provision for doubtful debts of sh.2, 000. In 2008, debts amounting to sh.1, 600 proved bad and were written off. Mr. Mbugua, whose debt of sh.350 was written off as bad debt in 2008, settled his account in full on 30th November 2008. As at 31st Dec 2008, fatal debts outstanding were sh.56, 000. it was decided to bring provision up to 5% of this figure on that date

In 2009 shs.2, 350 debts were written off during the year and another recovery of sh.150 was made in respect of debts written off in 2007. As at 31st December 2009, total debts outstanding were sh.42, 000. The provision for doubtful; debts is to be maintained at 5% of this figure. You are required to show for the year 2007, 2008 and 2009 the;

- (a) Bad debts account (? marks)
- (b) Bad debts recovered account (? marks)
- (c) Provision for bad debts account (? marks)
- (d) Extract from the profit and loss account (? marks)