

**TECHNICAL UNIVERSITY OF MOMBASA**  
*SCHOOL OF BUSINESS*  
**DEPARTMENT OF ACCOUNTING AND FINANCE**

**BACHELOR OF COMMERCE I**  
**BACHELOR OF BUSINESS ADMINISTRATION I**  
**BACHELOR OF SCIENCE IN DEVELOPMENT STUDIES 1**

**BAC 4101: INTRODUCTION TO ACCOUNTING I**

**BAC 4240: PRINCIPLES OF ACCOUNTS**

**END OF SEMESTER EXAMINATIONS**

**SERIES: APRIL 2016**

**TIME: 2 HOURS**

**INSTRUCTIONS:**

- This paper consists of Sections **A** and **B**.
- Section **A** is Compulsory. Answer any **TWO** questions in Section **B**.
- Mobile phones are not allowed into examination room.
- Cheating leads to disqualification.
- This paper consists of Five printed pages.*

### QUESTION ONE

(a) Discuss any five desirable qualities of accounting information  
(10 marks)

(b) Write the various accounts needed in the books of S. Onamu to record the following Transactions then extract a trial balance as at 31<sup>st</sup> March 2016.

2016

- March 1      Opened business with Sh. 20,000 in the bank.
- March 2      Bought premises for bank Sh. 8,000.
- March 5      Bought motor van on credit from J. Smith Sh. 2,000
- March 7      Bought goods from A. William for resale sh. 800
- March 12     Bought goods and paid by cheque sh. 500
- March 13     Sold goods for cash sh. 600
- March 15     Sold goods on credit to M. Roberts sh. 700
- March 16     Received a loan from bank sh. 12,000
- March 17     Paid by cheque to J. Smith.
- March 20     Paid wages and salaries sh. 1,000 by cheque
- March 21     Received a cheque from M. Roberts sh. 700
- March 30     Paid sundry expenses by cheque sh. 100.

[20 marks]

### QUESTION TWO

The following trial balance was extracted from the books of Gala a sale trader at the close of the year on 31 December 2007.

ShsShs	Dr	Cr
Purchases and sales	92,800	157,165
Cash at bank	4,100	
Cash in hand	324	
Capital		11,400
Drawings	17,100	
Office furniture at cost	4,000	
Delivery van at cost	6,000	
Provision for depreciations:		
Office furniture		1,100
Delivery van		2,250
Rent	3,400	
Wages and salaries	3,400	
Discounts	820	160
Accounts receivable and accounts payable	12,316	5,245
Inventory	4,120	
Allowances for doubtful debts	405	
Van running costs	615	

Bad debts written off	730	
	<u>177,725</u>	<u>177,725</u>

**Additional information:**

- i. Closing inventory sh. 2,400.
- ii. Accrued wages and salaries sh 340.
- iii. Prepaid rent sh. 230.
- iv. Van running costs owing sh. 72.
- v. Increase allowances for doubtful debts by sh. 91.
- vi. Provide for depreciation at 10% on the cost.

**Required:**

- i. Income statement for the year ended 31 December 2008.
- ii. Statement of financial position as at that date. [20 marks]

**QUESTION THREE**

(a) The following figures were extracted from the records of D & W Ltd for the 6 months ended 30 June 2015.

	Shs.
Opening balances on 1 January 2015 – Sales ledger Dr.	142,800
Purchase Ledger Dr.	1,050
Sales Ledger Cr.	4,050
Purchases Ledger Cr.	55,380
Sales ledger debit balances offset against purchases ledger	3,690
Discounts – allowed	20,970
received	14,250
Purchases (including cash purchase of shs. 2000)	120,200
Cash sales	61,800
Credit sales	206,820
Credit notes issued to customers for goods returned	7,500
Cash purchases	13,200
Payment creditors	115,920
Interest charged by creditors on overdue accounts	6,900
Receipts from customers	157,800
Bad debts written off	3,720
Customers unpaid cheques	2,610
Interest charged to customers	9,600
Debt collection expenses charged to debtors	1,080
Credit notes received for goods returned to suppliers	2,670
Balances on 30 <sup>th</sup> June 2015      Purchases Ledger Dr.	1,440
Sales Ledger Cr.	5,070

**REQUIRED**

Prepare the Purchases and Sales Ledger control accounts for the six months ended 30<sup>th</sup> June 2015. [12 marks]

( b ) Discuss the following Accounting principles:

- (i) Materiality
- (ii) Going concern
- (iii) Money measurement
- (iv) Prudence

(8Marks)

#### QUESTION FOUR

(a) Explain **four** ways in which accounting information may be useful to a business organization. **(4 marks)**

(b) The following books of original entry were prepared by Sumuni Traders on 30 April 2016.

##### Purchases Journal

Date	Particulars	Amount Sh
June 4	Bakari	4,000
June 15	Liwali	7,000
		<u>11,000</u>

##### Sales Journal

Date	Particulars	Amount Sh
June 15	Lijodi	6,000
June 20	Mogaka	9,000
		<u>15,000</u>

##### Returns outwards Journal

Date	Particulars	Amount Sh
June 12	Bakari	<u>800</u>

##### Returns inwards Journal

Date	Particulars	Amount Sh
June 25	Mogaka	<u>1,000</u>

REQUIRED:

Post the journals to the relevant ledger accounts. **(5 Marks)**

(c) A Trial Balance extracted from the books of Bill Kamande had the following totals:-

Debit side total shs. 938,400

Credit side total shs. 932,300

Kamande opened a Suspense Account and placed the difference in trial balance there to. He discovered the following errors and omissions:

- (a) A credit note for shs. 2,300 received from Shah Wholesalers had not been recorded anywhere in the books.
- (b) A credit note for shs. 1,400 issued to Patel Retailers had been entered correctly in the appropriate subsidiary book but had not been posted to their personal account.
- (c) A cheque for shs. 7,400 received from Dave Kuriawas entered as shs. 4,700 in the Cash Book and posted to the ledger accordingly.
- (d) Discounts allowed shs. 2,350, were credited to Discounts Received Account in the ledger.
- (e) Rent received. Shs. 2,200, has been credited to Premises Account.
- (f) Sales book was undercast by shs. 9,400.

**Required:-**

- (a) Journal entries to rectify above errors and omissions.
- (b) Suspense Account, duly balanced.

(11 Marks)

**QUESTION FIVE**

Marende started business on 1<sup>st</sup> October 2015. The following transaction took place in the month of October 2015.

2015

- October 1 Started business with Shs. 25,000 in the bank
- October 2 Bought goods by paying cheque Shs. 3,800
- October 3 Bought goods on credit from H. Marshall Shs. 5,000
- October 4 Sold goods on credit to AB&CO. Shs. 2,600
- October 5 Cashed a cheque for Office use Shs. 2,000
- October 6 Bought goodson credit from XY & Co. Shs. 7,400
- October 7 Sold goods on credit to M. Kariuki Shs 3,700
- October 8 Paid office expenses in cash Shs. 300
- October 10 Sold goods for cash shs. 2,500
- October 11 Paid to H. Marshall by cheque the amount due to him less 5%
- October 12 Received from AB & CO. a cheque of the amount due less 4% cash discount
- October 13 Paid rent expenses in cash Shs. 250
- October 17 Paid to XY Co. by cheque by deducting cash discount 3%
- October 20 Received cash from M. Kariuki, discount allowed 2%
- October 30 Paid wages in cash Shs. 1,000
- October 30 Banked cash keeping a balance of cash in hand Shs. 500.

**Required:-**

Enter the above transactions in a three column cash book and prepare relevant ledger accounts.  
(20 marks)