



# **THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE**

DEPARTMENT OF LIBERAL STUDIES, COMMUNITY DEVELOPMENT &  
COUNSELING

DIPLOMA IN COMMUNITY DEVELOPMENT & COUNSELLING

(DCDC A09)

## **PRINCIPLES OF ACCOUNTS**

YEAR I SEMESTER 2

END SEMESTER EXAMS

**SERIES:** APRIL/MAY 2010.

**TIME:** 3 HOURS

### **INSTRUCTIONS TO CANDIDATES**

1. This paper consists of **TWO** sections; **A** and **B**.
2. Answer ALL questions in Section **A**.
3. Answer any **TWO (2)** questions only from Section **B**.
4. Use of calculators is allowed.

**BUT NOT MOBILE PHONES AT ALL.**

**SECTION A** (Compulsory)

(Answer **ALL** questions from this section)

- Q.1 (a) Explain **FIVE** reasons why it is necessary for a firm to keep proper books of accounts. (10 marks)
- (b) Define a Ledger. (2 marks)
- (c) The following transactions were extracted from the books of Diwani, a sole trader in January, 2009.

**2009:**

- Jan. 2 Started business with sh.350,000 in cash.  
3 Deposited sh.280,000 of the cash into the bank account  
5 Bought goods on credit from Kazungu sh.36,000 and from Lenjo sh.49,000.  
7 Sold goods on credit to:  
Majengo sh.90,000  
Pandya sh.80,000  
8 Paid salaries in cash sh.50,000.  
10 Withdrew sh.100,000 from the bank for business use.

Prepare ledger accounts to record the above transactions (Do not balance off the accounts). (8 marks)

- (d) Write short notes on the following:
- (i) Credit Note (2 marks)
- (ii) Cash Discount (2 marks)
- (iii) Trade Discount (2 marks)
- (iv) Capital expenditure (2 marks)
- (v) Petty Cash Voucher. (2 marks)

## SECTION B

Answer any **TWO** questions only from this Section.

- Q.2 (a) Given below are the assets and liabilities of Bidco Traders as at 1<sup>st</sup> January 2009.

	<b>Sh.</b>
Capital	640,000
Trade Creditors	60,000
Motor Vehicles	680,000
Stock	25,000
Trade debtors	14,000
Cash in hand	5,000
Bank overdraft	24,000

During the month of January, 2009, the following transactions took place.

- (i) Received cash sh.7,000 from a debtor.
- (ii) A Motor Vehicle which had a book value of sh.140,000 was sold for sh.145,000. The amount was received by cheque.
- (iii) Paid a creditor sh.20,000 by cheque.
- (iv) Purchased goods with a list price of sh.5,000 and was allowed a trade discount of 20%. The goods were paid for by cheque.
- (v) Purchased a machine for sh.115,000 on credit from Gobei Ltd.

Prepare the balance sheet after the above transactions. (16 marks)

- (b) Highlight **FOUR** uses of the Balance sheet. (4 marks)

- Q.3 The following balances remained in the books of Athman and Sons Enterprises on 31<sup>st</sup> Dec; 2009.

<b>PARTICULARS</b>	<b>DEBIT (Sh.)</b>	<b>CREDIT (Sh.)</b>
Gross Profit		212,550
Rent received		72,400
Insurance and rates	26,400	
Salaries and wages	84,960	
Discounts allowed	14,440	

Debtors	46,620	
Motor van at cost	150,000	
Discounts received		28,840
Creditors		39,450
Provision for Depreciation -		
Motor Van 1/1/2009		13,000
Furniture and Fittings at Cost	48,000	
Provision for depreciation on		
Furniture and Fittings on 1/1/09		9,600
Electricity, Water and Light	11,200	
Advertising	8,400	
Bad debts written off	5,600	
Provision for Bad debts		2,000
Stock	24,570	
Carriage Outwards	3,600	
Capital		45,950

**Additional information on 31<sup>st</sup> Dec; 2009.**

- (i) Prepaid insurance sh.2,400; rates outstanding sh.1,000.
- (ii) Rent received in advance sh.2,200.
- (iii) Write off a further sh.620 as a bad debt and adjust the provision for bad debts to 5% of Debtors.
- (iv) Depreciation:
  - Motor Van sh.26,000
  - Furniture and Fittings: to be depreciated at 20% per annum on the reduced balance.

**Required:**

- (a) Profit and Loss account for the year ending 31<sup>st</sup> Dec; 2009. (12 marks)
- (b) Balance sheet as at 31<sup>st</sup> Dec; 2009. (8 marks)

Q.4 The following information relates to Jumbo Traders for the month of September, 2009.

September:

- 1 Balance b/d Cash sh.3,600, bank sh.7,500
- 2 Bought goods by cheque sh.2,000.
- 3 Banked cash sh.1,800.

- 15 Jumbo Traders settled Njeri's account of sh.1,500 by cheque after receiving a cash discount of 3%.
- 17 Cash drawings sh.500.
- 20 Mr. Ria cleared his account with Jumbo traders of sh.4,000 by cheque after being allowed cash discount of 5%.
- 22 Bought office furniture by cheque sh.3,000
- 26 Jumbo traders settled Khan's account of sh.800 after deducting 4% cash discount by cash.
- 29 Jumbo Traders received sh.1,455 from Mr. Mtoto in full settlement of his account of sh.1,550 by cash.
- 30 Paid wages in cash sh.1,000.

**Required:**

Prepare Three Column Cash book from the above information and transfer the discounts accounts to the General ledger. (20 marks)

- Q.5 (a) Highlight the limitations of the Trial Balance. (2 marks)
- (b) The following is the Trial Balance of Ndim Grocers Ltd. as prepared by the Book-keeper.

**Ndim Grocers Ltd.**

**Trial Balance**

**For the year ended 31<sup>st</sup> Dec; 2009**

	<b>Dr. (Sh.)</b>	<b>Cr. (Sh)</b>
Sales	64,000	
Purchases	42,600	
Light and Heating		1,900
Rent		2,400
Wages	5,200	
Carriage Outwards		1,100
Buildings	20,000	
General Expenses	700	
Fittings	7,500	

Debtors	12,000	
Creditors		9,000
Bank	1,200	
Cash	400	
Drawings		9,000
Capital	31,000	
Stock 31/12/09	<u>3,000</u>	<u>        </u>
	<u>190,600</u>	<u>23,400</u>

The Trial balance was found to be incorrect.

**Required:** Prepare a corrected trial balance. (10 marks)

- (c) State four uses of the General journal. For each use give an example to illustrate your answer. (8 marks)