



THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

Faculty of Business & Social Studies

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) Fill in the gaps in the statement below regarding Asembo Bay Beach Resort by choosing from the following: Fixed Asset, Current Asset, Current Liabilities, Owner's Capital and Long-term liabilities etc. (10 marks)
- (i) Invoices issued to customers and remain uncollected to date is _____
 - (ii) Money received in advance for hotel bookings is regarded as _____
 - (iii) The recently acquired laundry equipment is considered as _____
 - (iv) Bank overdraft is included under _____
 - (v) The 8-year mortgage on the land and buildings is recorded under _____
 - (vi) The varieties of foodstuff kept in the store is considered as _____
 - (vii) The differences between the total value of what the Resort owns and what it owes financiers and suppliers is regarded as _____
 - (viii) The money paid in advance for insurance premiums to cover the Resort's Fixed Assets against theft is considered as _____
 - (ix) Money kept in the safe for office use is _____
 - (x) The owner decided to relax in one of the rooms for a weekend but did not pay for the room. _____
- (b) Maranda Enterprises of P.O. Box 256 Bondo has a company Policy of preparing sales invoices on the same day a sales transaction takes place and allowing a 20% trade discount to their customers. The Policy also states the following cash discount terms:
- 7% if payment is made within 15 days,
 - 6% of payment is made within 30 days,
 - 5% if payment is made within 45 days and
 - 4% if payment is made within 60 days.

On 1st February, 2010, Nyamonye Ltd. Of Box 49 Kopolo, bought the following items from Maranda Enterprises on Credit and later paid for them on 20th February 2010.

- (i) 6 bags of sugar @sh.2,600.
- (ii) 2 bags of rice @sh.1,350.
- (iii) 3 cartons of cooking fat @sh.720
- (iv) 4 bales of Unga Ngano @sh.450.
- (v) 10 Cartons of Bibo Drink @sh.210.

Required:

- (i) Sales Invoice for goods sold to Nyamonye Ltd. (12 marks)
 - (ii) Relevant ledger entries in the Books of Maranda Enterprises. (3 marks)
- (c) Explain the following terms and give an example of each.
- (i) Accrued expenses. (2½ marks)
 - (ii) Prepaid Income. (2½ marks)

SECTION B

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

- Q.2 Write up a three-column cash book from the following information, balance off at the end of the month and show the relevant discount accounts as they would appear in the general ledger. (20 marks)

2009

- October:**
- 1 Started business with sh.25,000 cash
 - 2 Bought goods paying by cheque sh.3,800
 - 3 Bought goods from H. Marshal sh.5,000 on credit
 - 4 Sold goods to ABC & Co. sh.2,600 on credit
 - 5 Cashed a cheque for office use sh.2,000
 - 6. Bought goods from XY& Co. sh.7,400 on credit
 - 7 Sold goods on credit to M. Kariuki sh.3,700

- 8 Paid office expenses in cash sh.300
- 10 Sold goods for cash sh.2,500
- 11 Paid to H. Marshall the amount due to him less 5% by cheque
- 12 Received from AB&Co. a cheque of the amount due less 4% cash discount
- 13 Paid office expenses in cash sh.250
- 17 Paid to XY&Co by cheque after deducting 3% Cash discount
- 20 Received cash from M. Kariuki, discount allowed 2½%
- 30 Banked cash, only keeping a balance of cash in hand of sh.500

- Q.3 (a) Highlight any **TWO** uses of the Trial Balance. (2 marks)
- (b) From the following details relating to Pascal's business during the month of October, 2009; you are required to:
- (i) Prepare ledger accounts duly balanced (14 marks)
 - (ii) Extract a Trial Balance as at 31st October 2009. (4 marks)

October:

- 1 Started business with sh.25,000 cash
- 2 Bought goods on credit from the following persons; Ellis sh.5,400; Musa sh.8,700; Gibson sh.2,500; Betty sh.7,600 and Loice sh.6,400.
- 4 Sold goods on credit to Bess sh.4,300, Harry sh.6,200 and Spencer sh.17,600.
- 6 Paid rent by cash sh.1,200
- 9 Bess paid us by cheque sh.4,300
- 10 Spencer paid us by cheque sh.15,000
- 12 We paid the following by cheque, Gibson sh.2,500 and Ellis sh.5,400
- 15 Paid Carriage by Cash sh.2,300
- 18 Bought goods on credit from Musa at 4,300 and from Betty sh.11,000
- 21 Sold goods on credit to Harry sh.6,700
- 31 Paid rent by cheque sh.1,800.

- Q.4 (a) On 1st July; 2009, Peres Audi started business with the following Assets and Liabilities:

	Sh.
Creditors	30,800
Machinery	80,000
Stock on hand	48,000
Cash in hand	16,800
Debtors	22,000
Bank loan	12,000
Furniture	76,000

Required:

- (i) Calculate Peres Audi's Opening Capital. (2 marks)
(ii) Draw Peres Audi's Balance Sheet as at 7th July, 2009 after taking into account the transactions below. (8 marks)

The following transactions took place during the 1st Week of July, 2009 in Peres Audi's Business.

July:

- 2 Peres Audi introduced more money into the business sh.20,000 which she used to open a business bank account and deposited the money in the account.
4 Part of the Bank loan was repaid by cheque sh.8,000.
7 Stock worth sh.18,000 were sold for sh.24,000 cash.

- (b) The following transactions took place in the business of Karo in the month of June, 2009.

2009:

- June 1st: Sold goods on credit to Frida sh.200,000; Georgia sh.75,000; Henry sh.166,000.
June 9th : Sold goods on credit to Ndinda sh.90,000; Pole sh.79,000 and Mayai sh.38,000.

June 19th: Goods were returned by Ndinda: sh.1,500; Henry 33,500.

June 27th: Sold goods on credit to Georgia sh.103,000 and Mayai sh.13,000.

Required:

- (i) Record the above transactions in the Sales and Returns Inward journals of Karo. (8 marks)
- (ii) Post the items to the relevant accounts in the general ledger. (2 marks)

Q.5 The following balances were extracted from the books of Hussein for the year ended 31st December, 2009.

	Sh.
Capital (1/01/09)	419,435
Sales	1,299,350
Trade creditors	99,200
Returns outwards	67,035
Provision for doubtful debts (1/1/09)	2,550
Discounts Allowed	11,530
Discounts Received	8,750
Returns Inwards	28,120
Carriage Outwards	22,810
Drawings	92,200
Carriage Inwards	59,150
Rent, Rates and Insurance	129,865
General expenses	97,000
Salaries and Wages	192,605
Bad debts	10,040
Cash in hand	2,670
Cash at Bank	22,200
Stock (1/1/09)	78,270
Trade Debtors	122,500
Fixtures and Fittings at cost	603,700
Prov. For Depreciation – Fixtures and Fitting (1/01/09)	254,730
Purchases	678,390

Additional Information as at 31/12/09

- (i) Stock sh.97,550
- (ii) Wages and salaries accrued sh.14,500
- (iii) Rates prepaid sh.27,175
- (iv) Provision for doubtful debts is maintained at 3% of trade debtors
- (v) Depreciation on furniture and fittings for the year was sh.60,370
- (vi) General Expenses included a bill for sh.15,000 relating to Hussien's private house.

Required:

- (a) Trading and Profit and Loss accounts for the year ended 31st December, 2009. (12 marks)
- (b) Hussein's Balance Sheet as at 31st December, 2009. (8 marks)