

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF EDUCATION
ARTS AND BUSINESS STUDIES**

BUST 121: FUNDAMENTALS OF ACCOUNTING**STREAMS:****TIME: 2 HOURS****DAY/DATE: TUESDAY 23/03/2021****2.30 P.M – 4.30 P.M****INSTRUCTIONS:****Answer question one and any other two questions****QUESTION ONE**

The following trial balance extracted from the books of James Inyangala, sole trader in respect of the year ended 30th June 2018.

	Ksh	Ksh
Sales		9,372,500
Sales		10,662,000
Sales returns	180,500	
Trade debtors	2,250,000	
Drawings	1,500,000	
Purchases	5,236,000	
Trade creditors		750,000
Purchase returns		273,500
Wages and salaries	2,350,000	
Discount allowed	124,000	
Discount received		213,000
Provision for depreciation 1 st July 2017		
Shop fixtures		145,000
Motor vehicles		400,000
Cash at bank	1,291,000	
Cash in hand	105,500	
Electricity	236,000	
Rates paid	124,000	
Freehold premises at cost	3,817,500	

Fixtures at cost	760,000	
Motor vehicles at cost	800,000	
Stationary	78,000	
Postage and telephone	100,000	
Insurance	30,000	
Bad debts provision 1 st July 2017		100,000
Bad debts written off	36,000	
Motor vehicle running expenses	193,000	
Stock 1 st July 2017	3,167,000	
Loan 15% interest per annum		500,000
Interest on loan	37,500	
	22,416,000	22,416,000

Additional information:

1. Rate are to be apportioned so that three quarters is for the business and the rest for private premises, while ksh 32,000 is pre-paid for the business.
2. Three –quarters of the charge for electricity is for the business while one quarter is for private use.
3. Stock on 30th June 2018 amounted to ksh 3,105,000
4. Depreciation on fixtures is at 5 percent on cost and on motor vehicles at 20 percent on reducing balance. No depreciation is to be provided on freehold premises.
5. Unexpired insurance on 30 June 2018 amounted to ksh 6,000.
6. Provision for bad debts is to be adjusted to ksh 125,000
7. Only half years interest on loan has been paid.
8. James, the proprietor had taken goods amounted to ksh 20,000 for personal use.

Required

- (a) Income statement for the year ended 30th June 2018 . [12 marks]
- (b) Statement of financial position as at 30th June 2018. [10 marks]
- (c) Outline four types of errors that do not affect the trial balance. [8 marks]

QUESTION TWO

The balances and transactions affecting the control accounts of Kopesha Ltd for the month of November 2018 are listed below.

	Ksh
Balance on 1 st November 2018	
Sales ledger	9,123,000 (debit)
	211, 000(credit)
Purchase ledger	4,490,000 (credit)
	88,000 (debit)
Transactions during November 2018	
Purchase on credit	18,135,000
Allowances from suppliers	629,000
Receipts from customers by cheque	27,370,000
Sales on credit	36,755,000
Discount received	1,105, 000
Payment to creditors by cheque	15,413,000
Contra settlements	3,046,000
Bills of exchange receivable	6,506,000
Allowances to customers	1,720,000
Cash received from credit customers	4,201,000
Refunds to customers for overpayments	53,000
Discounts allowed	732,000
Sales ledger	136,000 (credit)
Purchases ledger	67,000 (debit)

Required:

- (i) Sales ledger control account for the year ended 30 November 2018. [8 marks]
- (ii) Purchase ledger control account for the year ended 30 November 2018.[8 marks]
- (iii) Explain any four qualities of a good accounting information. [4 marks]

QUESTION THREE

- (a) Discuss any five users of accounting information. [10 marks]
- (b) State the following concepts and principles of accounting.
 - (i) Historical cost principle [4 marks]
 - (ii) Going concern assumption [4 marks]
- (c) Discuss the importance of accounting information [2 marks]

QUESTION FOUR

A trainee accountant working for Mr. Juma Mamboleo has prepared the following summary of the cashbook for the month of March 2020.

Cashbook (bank column)																					
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Ksh</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">Balance B/F</td> <td style="text-align: right;">561,000</td> <td></td> </tr> <tr> <td style="text-align: right;">Receipts</td> <td style="text-align: right;"><u>3,748,000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>4,309,000</u></td> <td></td> </tr> </table>	Ksh			Balance B/F	561,000		Receipts	<u>3,748,000</u>			<u>4,309,000</u>		<table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">ksh</td> </tr> <tr> <td style="text-align: left;">Payments</td> <td style="text-align: right;">4,189,000</td> </tr> <tr> <td style="text-align: left;">Closing balance C/D</td> <td style="text-align: right;"><u>120,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>4,309,000</u></td> </tr> </table>		ksh	Payments	4,189,000	Closing balance C/D	<u>120,000</u>		<u>4,309,000</u>
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Whilst checking the cashbook against the bank statement, you find the following discrepancies:

1. Bank charges of ksh 8,000 shown in the bank statement have not been entered in the cashbook.
2. The bank had debit a cheque of ksh 37,000 in error in the account of Juma Mamboleo.
3. Cheque totaling ksh 96,000 have not yet been presented to the bank for payment.
4. Dividends receives ksh 42,000 have been credited on the bank statement but not yet recorded in Juma Mamboleo's cashbook.
5. There were cheques received of ksh 484,000 which were entered in the cashbook but not credited in the bank statement.
6. A cheque for ksh 17,000 has been returned by the bank marked 'refer to the drawer' but no entry relating to this has been made in the books.
7. The opening balance in the cashbook should have been ksh 651,000 and not allowed 561,000.
8. The bank statement shows that there was an overdraft at 30th March 2020 of ksh 198,000.

Required:

- (a) Adjusted cash book [12 marks]
- (b) Draw a bank reconciliation statement. [8 marks]