

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

RESIT/SPECIAL EXAMINATION

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF

BUST 121: FUNDAMENTALS OF FINANCIAL ACCOUNTING

STREAMS: BUST

TIME: 2 HOURS

DAY/DATE: THURSDAY 04/11/2021

2.30 P.M – 4.30 P.M.

QUESTION ONE

- a) On 30th April the cash book of Joint Stores Traders showed a debit bank balance of sh 35,000. His bank statement for April showed a credit balance of sh 41,750 the same day.
- (i) The bank had deducted sh 1250 for ledger fees. Also the bank had paid his landlord for office rent sh 10,000 and motor insurance standing order sh 8,750. These items dint appear on Marima’s cash book.
 - (ii) On 15th April the bank credited his account with sh 2,500 being dividends on shares and sh 2,500 being dividends on shares and sh 2,500 being interest on fixed deposit.
 - (iii)A debtor paid sh 5,000 directly in Marima’s bank account
 - (iv)The following cheques paid out to creditors did not apper on the bank statement cheque No. 1 sh 25,000, cheque No 2 sh 27,500, cheque No 3 sh 4,250
 - (v) The following cheques deposited on 30 April did not appear on the bank statement sheet ABC sh 10,000 and XYZ sh 30,000 Required:
 - (a) Adjusted cash book [12 marks]
 - (b) Draw a bank reconciliation statement. [8 marks]

- b) Outline four types of errors that do not affect the trial balance. [8 marks]
- c) Discuss reasons why conceptual framework is important.(2marks)

d)

QUESTION TWO

(a) The following information relates to Jamii Bora ltd, a dealer in household goods, for the year ended 30 April 2017. 1. Balance as at 1 May 2016

Sales ledger	36, 000 (Cr)
Purchase ledger	180, 000 (Dr)
Purchase ledger	10,000 (Dr)
Sales ledger	200,000 (Dr)

- 2. Total sales for the year include cash sales of sh. 3,000,000 and credit sales of sh. 6,000,000
- 3. Total purchase for the year were sh. 4, 450,000 out of which credit purchases were sh. 2, 998,000
- 4. During the year the company received a total of sh. 6, 540, 000 from both cash and credit customers and made total payments of sh. 3, 860,000 for both cash and credit purchases.
- 5. Discount allowed to credit customers amounted to sh. 145, 600 while discounts received from credit suppliers amounted to sh. 115,800.
- 6. A balance in the purchase ledger of sh. 140,000 was set-off against the sales ledger
- 7. Bad debts written off amount to sh. 350,000
- 8. Credit notes issued to customers amounted to sh. 487,000 and those issued by suppliers of Way limited amounted to sh. 360,000
- 9. The balance as at 30 April 2017 were

	Dr.	Cr.	Sh.	Sh.
Sales ledger balance			?	60,000
Purchase ledger balance	75,000		?	

Required:

- (i) Sales ledger control account for the year ended 30 April 2017. [8 marks]
- (ii) Purchase ledger control account for the year ended 30 April 2017. [8 marks]

[4
marks
]

b) Explain any four qualities of good accounting information

QUESTION THREE

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

QUESTION FOUR

The following trial balance was extracted from the books of Grace, a sole trader in Chuka Town as at 31.12.2010

	Sh	Sh
Capital 1.1.10		3,165,620
Purchase	923,600	
Sales		1,968,160
Purchases return		5,600
Sales return	16,160	
Discount allowed	18,200	
Discount received		14,080
Wages and salaries	622,000	
Rent	49,000	
Insurance	35,600	
General expenses	81,200	
Trade debtors	368,000	
Trade creditors		322,400
Bank overdraft		80,400
Stock 1.1.10	122,000	
Land and building at cost	1,700,000	
Plant and machinery	1,230,000	

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Motor vehicle	562,000	
Drawings	208,200	
Cash in hand	40,200	
Provision for depreciation, motor vehicle		112,400
Plant and machinery		307,500
	5,976,160	5,976,160
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Additional information

1. Stock in trade on 31.12.10 amounted to sh. 148,400
 2. Rates paid in advance as at 31.12.10 allowed to sh. 7000
 3. Outstanding electricity bill as at 31.12.10 (this included in general expenses) amounted to sh 3580
 4. Debtors include irrecoverable amount of sh 5600
 5. A 5% provision for doubtful debts is to be made on the recoverable debtors.
 6. Depreciation is to be provided on motor vehicles, plant and machinery at 20% and 25% respectively on reducing balance method.
 7. Included in wages and salaries is an amount of sh. 62,000 paid to domestic workers of Angel.
 8. Included in wages and salaries as at 31.12.10 amounted to sh. 24,800 Required:
- (a) A trading, profit and loss account for the year ended 31.12.10
[12marks]
- b) A balance sheet as at 31.12.10
[8marks]