

CHUKA



UNIVERSITY

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**UNIVERSITY EXAMINATIONS**
**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF  
AGRICULTURAL EDUCATION**
**AGBM 121: FINANCIAL ACCOUNTING 1****STREAMS: Y3S1****TIME: 2 HOURS****DAY/DATE: WEDNESDAY 4/12/2019****2.30 P.M - 4.30 P.M****INSTRUCTIONS****Answer question one and any other two questions****QUESTION ONE**

- (a) Explain the following terms as used in financial accounting
- |                               |           |
|-------------------------------|-----------|
| Matching principle            | [2 marks] |
| Revenue recognition principle | [2 marks] |
| Materiality                   | [2 marks] |
| Going concern assumption      | [2 marks] |
| Auditing                      | [2 marks] |
- (b) The following trial balance was extracted from the books of T. Onyango a sole trader as at 31<sup>st</sup> December 2009.

	Ksh	Ksh
Capital		5,920,000
Drawings	1,200,000	
Trade debtors	1,808,400	
Trade creditors		2,169,000
Sales		8,892,600
Purchases	4,188,400	
Stock 1 <sup>st</sup> January 2009	2,533,300	
Sales return	144,700	
Purchases return		218,800
Cash at hand	56,800	
Balance at bank	1,056,400	
Warehouse expenses	640,000	
Discount allowed	90,200	
Discount received		170,400

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Office salaries	600,000	
Office lighting	188,800	
Rates	108,200	
Motor vehicles (cost)	1,280,000	
Freehold premises (cost)	2,600,000	
Fixtures & fittings	576,000	
General expenses	142,400	
Insurance	28,000	
Provision for bad debts		50,000
Bad debts written off	150,400	
Advertising	<u>28,800</u>	-----
	<u>17,420,800</u>	<u>17,420,800</u>

Additional information

1. Stock as at 31<sup>st</sup> December 2009 was valued at 1,760,000.
2. Depreciation on fixtures and fittings and the motor vehicle is to be provided at a rate of 5% and 10% per annum o cost respectively.
3. Rates prepaid as at 32st December 2009 amounted to kah 25,600.
4. Prepaid insurance as at 31<sup>st</sup> December 2009 was ksh 4,000
5. Provision for bad debts as at 31<sup>st</sup> December 2009 is to be made at 2½% of trade debtors.

**Required :**

- (a) Statement of comprehensive income for the year ended 31<sup>st</sup> December 2009. [12 marks]
- (b) Statement of financial position as at 31<sup>st</sup> December 2009. [8 marks]

**QUESTION TWO**

- (a) State five potential users of company financial statements, briefly explaining for each one their likely information needs from those statements. [5 marks]
- (b) Briefly explain five types of book keeping errors are not disclosed by a trial balance. [5 marks]
- (c) The following balances were extracted from the books of Katee ltd for the month of April 2005.

	Ksh '000'
Debit balances (1 April 2005) sales ledger	1,428,000
Purchase ledge	10,500
Credit balances (1 April 2005) sales ledger	40,500
Purchase ledger	553,800
Discount received	142,500
Discount allowed	209,700
Purchase (including cash purchases of ksh 152,000)	1,334,000

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Cash sales	618,000
Credit sales	2,068,200
Credit notes issued to customers for returned goods	75,000
Sales ledger debit balances off set-against purchases ledger	36,900
Payment to creditors	1,159,200
Interest charged by creditors on overdue accounts	69,000
Receipt from customers	1,578,000
Bad debts written off	37,200
Customers unpaid cheques	26,100
Interest charged to customers on overdue accounts	96,100
Debt collected expenses charged to debtors	10,800
Credit notes received from suppliers	26,700
Balances as at 30 April 2005: purchases ledger (debt)	14,400
Sales ledger (credit)	50,700

### Required :

- (i) Sales ledger control account for the month ended 30 April 2005.  
[5 marks]
- (ii) Purchases ledger control account for the month ended 30 April 2005. [5 marks]

### QUESTION THREE

- (a) Onyanche Mokogi started business on 1<sup>st</sup> August 2012 as a sole trader in Ndagani Chuka. The following transactions took place during the month.

Date	
1 <sup>st</sup>	He brought in capital of 850,000 in which he opened bank account and deposited ksh 600,000 and the balance in the premises.
3 <sup>rd</sup>	Purchased stock as follows : from makanyengo ksh 80,000 in cash, credit from Murungi ksh 120,000 and cheque from Kaunda ksh 100,000
8 <sup>th</sup>	Sold goods as follows: To kaangi on credit ksh 200,000, cash to kamau ksh 110,000 and Chamwada paid by cheque ksh 30,000
17 <sup>th</sup>	Purchased motor vehicle from general motors and paid by cheque ksh 452,000 after a discount of ksh 8,000
22 <sup>nd</sup>	Paid Oparanya a commission for legal services ksh 12,000 in cash
24 <sup>th</sup>	received a commission by cheque from Ruto ksh 27,000
28 <sup>th</sup>	Received a cheque from kaangi after allowing a discount of 20%
29 <sup>th</sup>	Paid Murungi by cheque after receiving a discount of 10%
30 <sup>th</sup>	Deposited into the bank ksh 70,000

### Required :

- (i) A three column cash book. [8 marks]
- (b) While extracting the trial balance of speedman Kenya as at 30<sup>th</sup> June 2010 it was observed that the total debts exceeded the total credits by 47,000.
  - (i) Sales have been overcast by ksh 3000
  - (ii) Return outwards has been credited with an amount of ksh 12,264

- (iii) Payment by a debtors of ksh 30,000 by direct bank transfer has not been entered in debtor's account.
- (iv) A cash purchase of ksh 464 has been recorded in the cash book only.
- (v) Ksh 8,800 received from a debtor has been debited to his account.

**Required :**

- (i) The necessary journal entry to correct the above errors. [8 marks]
- (ii) Suspense account duly balanced. [4 marks]

**QUESTION FOUR**

- (a) Explain the following as used in manufacturing accounts
  - (i) Direct materials [2 marks]
  - (ii) Direct labour [2 marks]
  - (iii) Prime cost [1 mark]
- (b) The following balances have been extracted from the books of Limuru manufacturers, a small scale manufacturing enterprise as at 31 December 2002:

		<b>'000'</b>
Stocks as at 1 January 2002	Raw materials	7,000
	Work in progress	5,000
	Finished goods	6,900
Purchases of raw materials		38,000
Direct labour		28,000
Factory overheads		25,000
Administrative expenses	Rent and rates	19,000
	Lighting	6,000
	Stationary & postage	2,000
	Staff salaries	19,380
Sales		192,000
Plant and machinery	At cost	30,000
	Provision for depreciation	12,000
Motor vehicles (for sales deliveries)	At cost	16,000
	provision for depreciation	4,000
Creditors		5,500
Debtors		28,000
Drawings		11,500
Balance at 1 January 2002		16,600
Capital at 1 <sup>st</sup> Jan 2002		48,000
Provision for unrealized profit at 1 January 2002		1,380
Motor vehicle running costs		4,500

Additional information:

1. Stocks at 31 December 2002 were as follows;

	Ksh '000'
Raw materials	9,000
Work in progress	8,000
Finished goods	10,350

2. The factory output is transferred to the trading account at factory cost plus 25% of factory profit.
3. Depreciation is provided at the rates shown on the original cost of fixed assets held at the end of each financial year.
- |                     |               |
|---------------------|---------------|
| Plant and machinery | 10% per annum |
| Motor vehicles      | 25% per annum |
4. Amounts accrued at 31 December 2002 for direct labour amounted to ksh 3,000,000 and rent rates prepaid at 31 December 2002 amounted to ksh 2,000,000.

**Required :**

- (a) Manufacturing trading and profit and loss account for the year ended 31 December 2002.

[15

marks]

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