



GARISSA UNIVERSITY

UNIVERSITY EXAMINATION **2017/2018** ACADEMIC YEAR **ONE**
SECOND SEMESTER EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE CERTIFICATE OF BUSINESS MANAGEMENT

COURSE CODE: CBM 002

COURSE TITLE: PRINCIPLES OF ACCOUNTING

EXAMINATION DURATION: 3 HOURS

DATE: 08/05/18

TIME: 09.00-12.00 PM

INSTRUCTION TO CANDIDATES

- The examination has SIX (6) questions
- Question ONE (1) is COMPULSORY
- Choose any other THREE (3) questions from the remaining FIVE (5) questions
- Use sketch diagrams to illustrate your answer whenever necessary
- Do not carry mobile phones or any other written materials in examination room
- Do not write on this paper

This paper consists of FOUR (4) printed pages

please turn over



QUESTION ONE (COMPULSORY)

- (a) Explain the uses of accounting information. **[7 marks]**
- (b) The following information was contained in the trial balance of **kibinda Muia** a sole trader. As at 31st December 1990.

Particulars	Sh.	Sh.
Purchases	72,000	
Stock (1 st January 1990)	12,000	
Carriage on sales	3,000	
Discount allowed	800	
Interest received		260
Sales		130,000
Returns outwards	1,500	
Bank overdraft	12,000	
Rent and rates	4,960	
Sundry debtors	1,800	
Capital	123,100	
Sundry creditors	3,500	
Cash in hand	3,000	
Salaries	15,600	
Land	13,000	
Furniture and fittings	6,200	
Returns inwards	10,000	
Drawings	11,000	
Motor van	117,000	
270,360	270,360	260

The stock on hand at 31st December was valued at sh. 7,500.

Required:-

- i. Trading account showing his gross profits **[6 marks]**
- ii. Profit and loss account showing his net profit **[6 marks]**
- iii. Balances sheet (**statement of financial position**) as at December 1990. **[6 marks]**

QUESTION TWO

- (a) Explain the meaning of the following books of original entry.
- i. Returns outward journal **[2 marks]**
 - ii. Returns inwards journal **[2 marks]**
- (b) Enter the following transaction into the sales, purchases and returns daybooks from the following details.

May 1 Credit purchases: R.Burton sh. 2,500, C.Malthus sh. 1,450, M.Adleman Sh.3, 550.
 MAY 5 Credit sales: S.David Sh.4, 100, T.White Sh. 3,400, P. Black Sh.2, 700



- MAY 7 Credit purchases: A.Thomas Sh. 1,470. R.Burton Sh.1, 000, C.MalthusSh, 1,900
MAY 9 Goods returned by us to: R.Burton Sh.350, C. Maithus sh. 500
MAY 10 Goods returned to us by: T.White Sh. 250, P.Black Sh.300
MAT 12 Credit purchase: A.Thomas Sh. 1,860, R. Burton Sh.2,500, C.Malthus Sh.800.
MAY 15 Credit Sales: T.White Sh. 1,500, S.David Sh. 2,200.
MAY 18 Goods returned by us to :A.Thomas Sh.200, C.Malthus Sh.100.
MAY 25 Goods returned to us by :T.white Sh.180

QUESTION THREE

- (a) The fact that a trial balances is in agreement is not proof of absolute accuracy of the books of account. Explain **five** classes of Errors which are not disclosed by trial balances [10 marks]
(b) Highlight the quality of accounting information [5 marks]

QUESTION FOUR

- (a) Explain the differences between the discount allowed and discount received [4 marks]
(b) Mr. Dahir has given you the following information concerning his cash transaction for the month of July 2018.

- JULY 1** Balance b/f cash Sh.2, 500
Bank Sh.7, 400
JULY 2 Bought goods by cheque Sh. 2,000
JULY 3 Cash Sales Sh. 1,800
JULY 5 Banked cash Sh. 2,000
JULY 6 Paid by cheque in each case cash discount received 3% A.john Sh. 1,500. H Hofman Sh. 3,000 D. Jackson sh. 1,400
JULY 7 Received by cheque , in each case , discount Allowed 5% B. Shaw sh.4,000, B.Benhim Sh. 3,000 J.Maithus Sh.3, 200
JULY 10 Bought office furniture by cheque Sh.3, 000
JULY 15 CASH drawings Sh.500
JULY 20 Paid to A.Adleman Sh.800 cash less 3%
JULY 22 Received cash from A. smith Sh.1, 500 less 4%
JULY 30 Paid Wages in cash Sh. 1,000

Required:-

- i. Enter the above transaction in the **three column** cash book [11 marks]

QUESTION FIVE

- (a) Explain the meaning of imprest system and how it operated [5 marks]
(b) A Firm maintaining a petty cash book with heading to the analysis columns for postage & telegrams, office stationery, travelling expenses and sundry expenses:-

- JUNE 1** Receive from Cashier for petty Cash Sh. 500
JUNE 2 Paid Bus fares sh. 15, postage sh. 20
JUNE 3 Bought Office Stationery for sh. 135
JUNE 5 Paid Bus fare Sh. 25, telegram sh. 25
JUNE 6 Paid Sundry Expenses Sh. 55



Required:-

- i. Enter the above transaction in a petty cash book. **[10 marks]**

QUESTION SIX

Student of DBM-3 started business on first April 2017, they pays 5,000 into their business account.

During the month of April and they undertake the following transaction:-

April 3 received a loan of Sh. 3,000 from A. smith

- „ 3 Bought machinery for cash sh. 2,000.
- „ 4 Bought goods from S. David for Sh.500.
- „ 5 Bought goods for cash sh. 800
- “ 7 sold goods for cash sh. 1000
- “ 9 paid general expense by cash sh. 90
- “ 10 paid wages sh. 150.

Required:-

- i. To enter the above transaction into ledger accounts **[5 marks]**
- ii. To carry down a balancing where necessary **[5 marks]**
- iii. To extract a trial balance **[5 marks]**

