PRINCIPLE OF ACCOUNTS

DBM02 EXAMS

 **QUESTION ONE**

1. Briefly explain why the following parties may be interested in the financial statements of an organization:

 (i) Employees (3marks)

 (ii) Financial analysis (3marks

 (iii) The Government. (3 marks)

 (iv) The public. (3marks)

1. Explain the phases of accounting process (8 Marks)

(c) Mohamed Amin has the following assets and liabilities as on 30 November 2002:

Creditors ksh39,500; Equipment ksh115,000; Motor vehicle ksh62,900; Stock ksh61,500; Debtors ksh57,700; Cash at bank ksh72,800 and Cash in hand ksh400.

Compute the balance on the capital account as at 30 November 2002.

During the first week of December 2002, Jump:

1. Bought extra equipment on credit for ksh 13,800.
2. Bought extra stock by cheque ksh 5,700.
3. Paid creditors by cheque ksh 7,900.
4. Received from debtors’ ksh 8,400 by cheque and ksh600 by cash.
5. Put in extra ksh 2,500 cash as capital.

You are required to draw up a balance sheet as on 7 December 2002 after the above transactions have been completed.

 (10marks)

**QUESTION TWO**

Write up the asset, capital and liability accounts in the books of Abdullahi to record the following transactions:

2002 **(20 Marks)**

June 1 Started business with ksh50,000 in the bank.

“ 2 Bought motor van paying by cheque ksh12,000.

“ 5 Bought Fixtures ksh4,000 on credit from Office Masters Ltd.

“ 8 Bought a van on credit from Motor Cars Ltd ksh8,000.

“ 12 Took ksh1,000 out of the bank and put it into the cash till.

“ 15 Bought Fixtures paying by cash ksh600.

“ 19 Paid Motor Cars Ltd by cheque ksh8000.

“ 21 A loan of ksh10,000 cash is received from J Marcus.

“ 25 Paid ksh8,000 of the cash in hand into the bank account.

“ 30 Bought more Fixtures paying by cheque ksh3,000.

**QUESTION THREE**

1. A three-column cashbook is to be written up from the following details, balanced off, and the relevant discount accounts in the general ledger shown.(20 marks)

2017

Mar 1 Balances brought forward: Cash ksh230; Bank ksh4,756.

“ 2 The following paid their accounts by cheque, in each case deducting 5 percent

 discounts: R Burton ksh140; E Taylor ksh220; R Harris ksh800.

“ 4 Paid rent by cheque ksh120.

“ 6 J Cotton lent us ksh1,000 paying by cheque.

“ 8 We paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: N Black ksh360; P Towers ksh480; C Rowse ksh300.

“ 10 Paid motor expenses in cash ksh44.

“ 12 H Hankins pays his account of ksh77, by cheque ksh74, deducting ksh3 cash discount.

“ 15 Paid wages in cash ksh160.

“ 18 The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston ksh260; R Wilson & Son ksh340; H Winter ksh460.

“ 21 Cash withdrawn from the bank ksh350 for business use.

“ 24 Cash Drawings ksh120.

“ 25 Paid T Briers his account of ksh140, by cash ksh133, having deducted ksh7 cash discount.

“ 29 Bought fixtures paying by cheque ksh650.

“ 31 Received commission by cheque ksh88.

**QUESTION FOUR**

Mohamed Amin is a sole trader. At 30 June 2000 the following balances have been

extracted from his books:

|  |  |
| --- | --- |
|  | KSH |
| Sales | 47,600.00 |
| Purchases | 22,850.00 |
| Office expenses | 1,900.00 |
| Insurance | 700.00 |
| Wages | 7,900.00 |
| Rates | 2,800.00 |
| Heating and Lighting | 1,200.00 |
| Telephone | 650.00 |
| Discounts allowed | 1,150.00 |
| Opening stock | 500.00 |
| Returns inwards | 200.00 |
| Returns outwards | 150.00 |
| Premises | 40,000.00 |
| Plant and Machinery | 5,000.00 |
| Motor Vehicles | 12,000.00 |
| Debtors | 12,500.00 |
| Bank balance | 7,800.00 |
| Creditors | 3,400.00 |
| Loan-long term loan | 10,000.00 |
| Capital | 60,000.00 |
| Drawings for the year | 4,000.00 |
| Closing stock | 550.00 |

Required:

Construct a trial balance, from the above list of balances. (20 marks)

**QUESTION FIVE**

A cashier in a firm starts with sh.2, 000 in the month of March (that is the cash float). In the following week, the following payments are made:

 SH

1st March – bought stamps for 80

2nd March – paid bus fare for 120

2nd March – cleaning materials 240

3rd March – bought fuel 150

3rd March – cleaning wages 300

4th March – bought stamps 200

4th March – paid L. Thompson (creditor) 400

5th March – fuel costs 150

 On the 5th of March the cashier requested for a refund of the cash spent and this amount was reimbursed back.

**Required:**

Prepare a detailed petty cash book showing the balance to be carried forward to the next period and the relevant expense accounts, as they would appear on the General Ledger. (**20 marks**)