

**SCHOOL OF BUSINESS MANAGEMENT**

**DRAFT EXAMINATIONS FOR CERTIFICATE IN BUSINESS MANAGEMENT**

**UNIT NAME: PRINCIPLE OF ACCOUNTING**

**UNIT CODE: CBM 002**

**QUESTION ONE.**

**a)** For accounting information to be useful for decision making, it should possess certain characteristics. Briefly describe any such five characteristics of good accounting information. **(10 marks)**

**b)** The following information was obtained from the books Salat relating to the year 2017

Jan 1: debtors balance 115000

Dec 31: sales as per sales day book 608500

Dec 31: cash received from debtors 489500

Dec 31: discount allowed 25850

Dec 31: returns from customers 45650

Dec 31: bad debts written off 5450

Required:

1. Prepare sales ledger control account  **(8 marks)**
2. From the following information, prepare the creditor ledger control account 2016

Creditor balance b/f 89,720

Purchases during the year 235,890

Returns outwards 38,430

Discount received 15,820

Cheques paid to suppliers 204,730 **(7 marks)**

c) Outline five purposes of control accounts. **[5 marks]**

**QUESTION TWO**

The following is a trial balance of Shariff as at 30thJune 2017.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| |  |  |  |  |  | | --- | --- | --- | --- | --- | |  |  | **Dr** |  | **Cr** | |  |  | **Ksh.** |  | **Ksh.** | |  |  |  |  | | Sales |  |  |  | 276,400.00 | | Purchases |  | 141,300.00 |  |  | | Carriage inwards |  | 1,350.00 |  |  | | Carriage outwards |  | 5,840.00 |  |  | | Salaries and wages |  | 63,400.00 |  |  | | Insurance |  | 1,830.00 |  |  | | Communication Expense |  | 714.00 |  |  | | Business rate |  | 3,800.00 |  |  | | Commission paid |  | 1,930.00 |  |  | | Sundry expense |  | 208.00 |  |  | | Returns outwards |  |  |  | 2,408.00 | | Stock at 01 July 2016 |  | 52,800.00 |  |  | | Buildings |  | 125,000.00 |  |  | | Fixtures and fittings |  | 1,106.00 |  |  | | Debtors |  | 45,900.00 |  |  | | Creditors |  |  |  | 24,870.00 | | Cash in Hand |  | 276.00 |  |  | | Cash in bank |  | 31,420.00 |  |  | | Drawings |  | 37,320.00 |  |  | | Capital |  |  |  | 210,516.00 | |  |  | **514,194.** |  | **514,194.** | |  |  |

Stock at 30th June 2017 was Ksh. 58,440.00

Required:

1. Comphensive Income statement for the year ended 30th June 2017.**[12marks]**
2. Statement of Financial Position as at that date**. [8 marks]**

**QUESTION THREE**

1. Briefly discuss the following terminology as used in Financial accounting
2. Accounting Concept **(2 Marks)**
3. Accounting Bases **(2 Marks)**
4. Accounting Policies **(1 Marks)**
5. The following transactions relate to Hafsa, a sole trader, for the month of March, 2018.

1 Started business with shs 150,000 in cash.

2 Opened a business bank account and deposited sh. 60,000

4 Bought fixtures sh. 22,500 on credit from Giant Fitters Ltd.

10 Bought goods from Watatu wholesalers for Shs 49,000 and paid Shs 12,500 by cheque in part payment.

22 Sold goods for sh73, 000 on credit to Cheti Restaurant

28 Received sh. 50,000 from Cheti Restaurant by cheque.

**Required:**

i. Ledger accounts with the above transactions duly posted. **(8 Marks)**

ii. A trial balance as at 31st March, 2018 **(7 Marks)**

**QUESTION FOUR.**

Kamau, a sole trader received his bank statement for the month of June 2018. At that date the bank balance was Sh.706, 500 whereas his cash book balance was Sh.2, 366,500. His accountant investigated the matter and discovered the following discrepancies:

* 1. Bank charges of Sh.3, 000 had not been entered in the cash book.
  2. Cheques drawn by Kamau totaling Sh.22, 500 had not yet been presented to the bank.
  3. He had not entered receipts of Sh.26, 500 in his cash book.
  4. The bank had not credited Mr Kamau with receipts of Sh.98, 500 paid into the bank on 30mJune 2001.
  5. Standing order payments amounting to Sh.62.000 had not been entered into the cash book.
  6. In the cash book Kamau had entered a payment of Sh.74, 900 as Sh.79, 400.
  7. A cheque for Sh.15, 000 from a debtor had been returned by the bank marked “refer to drawer” but had not been written back into the cash book.
  8. Kamau had brought forward the opening cash balance of Sh.329, 250 as a debit balance instead of a credit balance.
  9. An old cheque payment amounting to Sh.44, 000 had been written back in the cash book but the bank had already honoured it.
  10. Some of Kamau’s customers had agreed to settle their debts by paying directly into his bank account. Unfortunately, the bank had credited some deposits amounting to Sh.832, 500 to another customer’s account. However, acting on information from his customers, Kamau had actually entered the expected receipts from the debtors in his cash book.

**Required:**

a)i) A statement showing Kamau’s adjusted cash book balance as at 30 June 2018.  **(9 marks)**

1. A bank reconciliation statement as at 30 June 2018. **(6 marks)**
2. Ibrahim set up a new business, before he actually sells anything he has brought motor vehicle of sh 3,000,000 premises 7,000,000 stock of goods sh 200,000.he still owes sh 80,000 in respect of them.

He had borrowed sh 40,000 from Daud after the events just described before trading start, he had sh 30,000 in hand and sh 60,000 cash at bank.

You are required to calculate the amount of his capital **(5 marks)**

**QUESTION FIVE**

1. Explain six errors that don’t affect a trail balances **(12 Marks)**
2. For accounting information to be useful for decision making, it should possess certain characteristics. Briefly describe any such five characteristics of good accounting information. **(5 marks)**
3. Briefly explain the following accounting concepts:

(i) Accruals **(1 mark)**

(ii) Going concern **(1mark)**

(iii) Prudence **(1mark)**