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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2019/2020 ACADEMIC YEAR ONE**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE CERTIFICATE IN BUSINESS MANAGEMENT**

**COURSE CODE: CMB 002**

**COURSE TITLE: PRINCIPLE OF ACCOUNTING**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 07/12/2020 TIME: 3.00-5.00 PM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) 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)**

1. Briefly explain the following accounting concepts:
2. Accruals
3. Going concern
4. Prudence
5. Neutrality
6. Substance over form **[10 marks]**
7. The following transactions relate to AFYA, a sole trade, for the month of February, 2018. February: 1. Started business with shs. 30,000 in cash.

2. Opened a business bank account and deposited sh. 12,000

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

10. Bought goods from Watatu wholesalers for Shs 9,800 and paid Shs 2,500 by cheque in part payment.

22. Sold goods for sh. 14,600 on credit to Cheti Restaurant

28. Received sh. 10,000 from Cheti Restaurant by cheque.

**Required:**

1. Ledger accounts with the above transactions duly posted. **[14 marks]**
2. A trial balance as at 28th February, 2018. **[6 marks]**

**QUESTION TWO**

The following is a trial balance of ABC Traders.

Kshs Kshs

Stock 1 Jan 2017 2,368,000

Carriage inwards 200,000

Carriage outwards 310,000

Return outwards 205,000

Return outwards 322,000

Purchases 11,870,000

Sales 18,600,000

Rent 3,862,000

Salaries & Wages 304,000

Insurance 78,000

Motor expenses 216,000

Lighting and heating expenses 166,000

General expenses 314,000

Premises 500,000

Motor vehicles 1,800.000

Debtors 3,896,000

Fixture and fittings 350,000

Creditors 1,731,000

Cash at Bank 482,000

Drawings 1,200,000

Capital 8,132,000

28,785,000 28,785,000

Stock at 31 December 2017 was Sh. 2,996,000 Required:

**Required:**

1. Compressive income statement for the year ended 31st December,2017 **[12 marks]**
2. Statement of financial position as at 31st December,2017 **[8 marks]**

**QUESTION THREE**

1. 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 2018.
   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:**

1. A statement showing Kamau’s adjusted cash book balance as at 30 June 2018. **[12 marks]**
2. A bank reconciliation statement as at 30 June 2018. **[8 marks]**

**QUESTION FOUR**

Brian is a sole trader. At 30 June 2016 the following balances have been extracted from his books:

Sh.

|  |  |
| --- | --- |
| 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 | 1,200.00 |
| Telephone | 650.00 |
| Discounts allowed | 1,150.00 |
| 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 | 500.00 |

**Required:**

1. Construct a trial balance, from the above list of balances **[12 marks]**
2. Explain factors that causes changes in capital **[8 marks]**

**QUESTION FIVE**

1. Briefly discuss the following terminologies as used in Financial accounting
2. Accounting Concept **[3 marks]**
3. Accounting Bases **[3 marks]**
4. Accounting Policies **[2 marks]**
5. Explain six errors that don’t affect trial balance **[12 marks]**