LAIKIPIA UNIVERSITY

UNIVERSITY EXAMINATIONS

FIRST SEMESTER 2025/2026 ACADEMIC YEAR

FIRST YEAR EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

BCOM 113: PRINCIPLES OF ACCOUNTING I

STREAM: ***Y1S1*** ***TIME: 2 HRS***

DAY: MONDAY [8.30 A.M-10.30 A.M] ***DATE: 2/02/2026***

THIS QUESTION PAPER CONSISTS OF SIX (6) PAGES

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Instructions: Answer Question ONE and any other TWO questions

QUESTION ONE

(a) Define a source document and explain its importance in the accounting process. **(2 Marks)**

(b) What is the purpose of the materiality principle in accounting? Give an example. **(2 Marks)**

(c) ABC Ltd. purchased a delivery van for Kshs.50,000 in cash. Explain the double-entry recording for this transaction and show how it affects the accounting equation. **(4 Marks)**

(d) Prepare a statement of comprehensive income for a company with the following information: **(6 Marks)**

Description	**Amount (Kshs.)**
Sales Revenue	150,000
Cost of Goods Sold	90,000
Rent Expense	10,000
Salaries Expense	20,000
Interest Expense	5,000

(e) Evaluate the significance of classifying assets and liabilities into current and non-current categories, and how this affects decision-making by investors and creditors. **(4 Marks)**

(f) Explain the accounting treatment of a credit note issued and a credit note received. **(2 Marks)**

(g) Distinguish between personal accounts and impersonal accounts, giving two examples of each. **(4 Marks)**

(h) Discuss three advantages of using special journals in accounting. **(6 marks)**

QUESTION TWO

(a) The following transactions relate to Zuri Traders for September 2025. Each transaction includes the source document type and number.

Date	Details	Document No.	Amount (KSh)
Sept 1	Commenced business with cash	Cash Receipt 001	150,000
Sept 2	Bought goods on credit from Mwas Traders	Invoice 1001	45,000
Sept 4	Sold goods for cash	Cash Receipt 002	25,000
Sept 6	Bought office furniture by cheque	Cheque 101	30,000
Sept 8	Paid Mwas Traders by cheque	Cheque 102	20,000

Date	Details	Document No.	Amount (KSh)
Sept 10	Received payment from debtor Amina in cash	Cash Receipt 003	18,000
Sept 12	Owner withdrew goods for personal use	Debit Note 001	5,000
Sept 15	Returned goods previously bought from Mwas Traders	Credit Note 001	3,000
Sept 18	Sold goods on credit to Amina	Invoice 1002	22,000
Sept 22	Paid wages in cash	Cash Payment 001	10,000
Sept 25	Received commission income by cheque	Cheque 103	4,500
Sept 28	Paid electricity bill by cheque	Cheque 104	2,200
Sept 30	Deposited cash into bank	Deposit Slip 001	40,000

Required:

Record the transactions in the appropriate journals. **(13 Marks)**

(b) A company sells goods worth Kshs. 10,000 in December but receives payment in January. According to accounting principles:

i) When should revenue be recorded? **(2 Marks)**

ii) Which principle justifies this treatment? **(1 Marks)**

(c) Briefly explain the role of auditing within the scope of accounting. **(2 Marks)**

(d) Explain the difference between short-term liabilities and long-term liabilities **(2 Marks)**

QUESTION THREE

(a) Using the following transactions, prepare a **two-column cash book** for January 2025 for Mr. Karanja: **(14 Marks)**

Date	Transaction
Jan 1	Owner invested Sh. 500,000 cash into the business
Jan 2	Paid rent Sh. 30,000 by cheque
Jan 3	Purchased office supplies for cash Sh. 10,000
Jan 5	Sold goods for cash Sh. 50,000
Jan 6	Deposited Sh. 20,000 from cash till to the bank
Jan 10	Paid salaries Sh. 25,000 in cash
Jan 12	Withdrew Sh. 15,000 from bank for office petty cash

(b) Explain the difference between prepaid expenses and accrued expenses, giving examples of each and how they affect the financial statements. **(6 Marks)**

QUESTION FOUR

(a) RAO Ltd has the following records for the year ended 31 December 2024:

	KSh
Sales	378,500
Discount received	2,400
Rent received	7,500
Returns outwards	7,700
Accounts payable	18,700
Bank overdraft	30,000
Capital	287,500
Purchases	261,700
Salaries and wages	45,700
Office expenses	8,400
Insurance premiums	3,100
Electricity	1,600
Stationery	6,200
Advertising	8,400
Telephone	2,100
Business rates	7,500
Discounts allowed	600
Returns inwards	4,100
Stocks as at 1 March 2024	120,600
Warehouse, shop and office	210,000
Fixtures and fittings	12,800
Accounts receivable	13,000
Cash in till	500
Drawings	26,000

The following further information was obtained:

(i) Closing stock was Sh. 102,500.00

(ii) Electricity charges accrued Sh. 700.00

(iii) Advertising expenses accrued Sh. 500.00

(iv) Insurance premiums paid in advance Sh. 900.00

(v) Business rates prepaid Sh. 1,500

Required:

Prepare statement of comprehensive income for the year ended 31 December 2024 and statement of financial position as at that date. **(15 Marks)**

(b) Explain how the **cash book** serves as both a **journal** and a **ledger account**, and discuss the implications of this dual role for financial control. **(5 marks)**

QUESTION FIVE (20 marks)

(a) A company has the following incomplete records for the year ended 31 December 2024:

Opening Balances	**Amount (KSh)**
Accounts Receivable	8,000
Accounts Payable	6,000
Transactions during the year	
Credit Sales	120,000
Credit Purchases	90,000
Cash Receipts from Customers	85,000
Cash Payments to Suppliers	70,000
Returns Inwards	5,000
Returns Outwards	2,000
Discounts Allowed	3,000
Discounts Received	1,000
Closing Balances (after adjustments)	
Accounts Receivable	9,000
Accounts Payable	7,000

Required:

Prepare the Control Account for Accounts Receivable. **(10 Marks)**

(b) The following errors were discovered in the books of Mugo Traders after the trial balance showed a difference of KSh 1,500, which was credited to a suspense account:

i. A credit sale of KSh 1,800 to K. Mwangi was recorded in the sales account but not posted to K. Mwangi's account.
ii. A purchase of office furniture worth KSh 2,000 was entered in the Purchases account.
iii. A cash payment of KSh 750 to a supplier, J. Maina, was posted to his account as KSh 570.
iv. The total of the Wages account had been undercast by KSh 180.
v. A receipt of KSh 270 from a debtor had been correctly entered in the cash book but omitted from the debtor's account.

Required:

Show the journal entries necessary to correct the above errors and prepare the Suspense Account to show how the difference of KSh 1,500 will be cleared. **(10 Marks)**