

LAIKIPIA



UNIVERSITY

UNIVERSITY EXAMINATIONS

1ST SEMESTER 2023/2024 ACADEMIC YEAR

**FIRST YEAR EXAMINATION FOR THE DEGREE OF
BACHELOR OF COMMERCE**

BCOM 113: PRINCIPLES OF ACCOUNTING I

STREAM:

TIME: 2 HRS

DAY: MONDAY [8.30-10.30 A.M]

DATE: 4/12/2023

THIS QUESTION PAPER CONSISTS OF SIX (6) PAGES

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Instructions: Answer Question ONE and any other TWO questions**QUESTION ONE (Compulsory 30 marks)**

(a) On first January 2023, Hustler Atawale Enterprises had Sh. 40,000 in cash and an overdraft of Sh. 85,000 at the bank. During the month, the following transactions took place.

- Jan 2 Bought goods in cash worth Sh. 11,500.
 4 Bought stationery in cash Sh. 1,400.
 5 Received cash from Mwangi Sh. 20,750 after allowing 5% cash discount.
 8 Withdrew Sh. 9,900 from the bank for personal use.
 9 Sold goods on credit worth Sh. 14,500.
 11 Otieno, a debtor, settled his account of Sh. 16,900 by a cheque of Sh. 16,000.
 15 Sales amounted to Sh. 25,250 in cash.
 17 Paid Chang'toek Sh. 29,100 in full settlement of their account less 3% cash discount.
 20 Withdrew Sh. 16,000 from the bank for office use.
 23 Settled Musyoka's account of 3,500 by cheque after deducting 5% cash discount.
 24 Wafula, a debtor, settled his account of Sh. 40,000 by cheque after being allowed a 2.5% cash discount.
 25 Cash sales directly banked Sh. 23,700
 26 Received a cheque Sh. 9460 from Nganda after deducting 6% cash discount
 28 Wafula's cheque was dishonored by the bank.
 29 Banked all the cash except Sh. 5500

Required:

Prepare the Hustler Atawale Enterprises duly balanced three column cash book. **(14 Marks)**

(b) Justify the preparation of Journal Books as the first books in recording transactions of a business organization. **(6 Marks)**

(c) Define the following accounting concepts and illustrate with an example.

- i) Materiality concept **(2 Marks)**
 ii) Accrual concept **(2 Marks)**
 iii) Consistency concept **(2 Marks)**



- (d) Identify the kind of information that the following users of accounting information may require, why they require it and the decisions they make from the information **(4 Marks)**
- i) External auditors
 - ii) Creditors

QUESTION TWO (20 marks)

You are provided with Karuga Traders’ Statement of financial position as at 31 December 2022.

Non-Current Assets	Sh.	Sh.
Premises		25,000.00
Plant		12,000.00
		37,000.00
Current Assets:		
Stock	11,000.00	
Debtors	10,000.00	
Cash at bank	5,000.00	
Cash in hand	3,000.00	
	29,000.00	
Current liabilities:		
Creditors	(12,000.00)	17,000.00
		54,000.00
Capital		34,000.00
Non-Current Liabilities:		
Loan from bank		20,000.00
		54,000.00

During the year to 31 December 2022 the following total transactions occurred:

- i. Karuga Traders withdrew a total of Sh.10,000.00 in cash
- ii. Stock in trade was bought, all on credit, for Sh.34,000.00
- iii. Sales were made totaling 60,000.00 of stock in trade which had cost Sh.37,000.00. Of these sales Sh.51,000.00 were on credit and Sh.9,000.00 for cash.
- iv. A total of Sh.16,000.00 was drawn from the bank in cash to the cash till.
- v. Electricity for the year paid by cheque totaled Sh.2,000.00
- vi. Rates for the year paid by cheque totaled Sh.1,000.00
- vii. Wages for the year all paid in cash totaled Sh.10,000.00
- viii. Sundry expenses all paid in cash totaled Sh.2,000.00
- ix. Creditors were paid a total of Sh.36,000.00 all by cheque
- x. Debtors paid a total of Sh.54,000.00 all in cheques.
- xi. The bank charged interest on the loan deducting Sh.3,000.00.



Required:

Prepare a revised statement of financial position.

(20 marks)**QUESTION THREE (20 marks)**

(a) Outline any five errors on accounts that do not affect the trial balance **(5 Marks)**

(b) The Bank Statement for Muloko Enterprises for the month of October 2023 is as follows:

	Dr	Cr	Balance
	Sh	Sh	Sh
Nov 1	Balance (Cr)		25,985 O/D
" 8	David	3,660	29,645 O/D
" 16	Cheque	7,320	22,325 O/D
" 20	Nik	6,240	28,565 O/D
" 21	Cheque	9,990	18,575 O/D
" 31	Turn: Traders Credit	1,710	16,865 O/D
" 31	BKS: Standing order	1,470	18,335 O/D
" 31	Bank charges	840	19,175 O/D

The cash book (Bank column) for October 2023 is as follows:

Dr			Cr		
Date	Particulars	Amount	Date	Particulars	Amount
2023 Oct 16	Francis	7,320	2023 Oct 1	Balance b/d	25,985
21	Kinuthia	9,990	8	David	3,660
31	Simon	4,800	20	Nik	6,240
31	Balance c/d	28,475	30	Rao	14,700
		50,585			50,585

Required:

i) Updated Cash Book

ii) Bank reconciliation statement on 31st October 2023

(15 Marks)

QUESTION FOUR (20 marks)

The following is the Balance Sheet of Mejsa Enterprises for the year ended 31st December 2022.

	Sh “000”	Sh “000”	Sh “000”	Sh “000”
Non-current assets	Cost		Accum. Depr.	Net Book Value
Land and building	5,000		-	5,000
Motor vehicle	2,500		900	1,600
Furniture and fittings	750		550	200
				6,800
Current assets				
Inventory	1,200			
Accounts receivable	1,600			
Cash	1,200	4,000		
Current liabilities				
Accounts payable	700			
Accrued expenses	100	800		3,200
				10,000
Financed by				
Long term debt		2,720		
Share capital		7,000		
Profit for the year		280		
				10,000

Trading, Profit and loss account for the year ended 31st December 2022

	Sh “000”	Sh “000”
Sales on credit		3,600
Less cost of sales		2,000
Gross Profit		1,600
Selling expenses	400	
Administration and salaries	800	1,200
Profit before tax		400
Taxation (30%)		120
Net Profit		280

Required:

(a) Calculate the following

- i) The gross profit margin **(3 Marks)**
- ii) Acid test ratio **(3 Marks)**
- iii) Return on non-current assets **(3 Marks)**

- iv) The accounts receivable turnover **(3 Marks)**
- b) What is a contra-entry and how does it arise? **(2 Marks)**
- c) Highlight six reasons for maintain control accounts **(6 Marks)**

