



OFFICE OF THE DEPUTY PRINCIPAL

ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2017 /2018 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER REGULAR EXAMINATION

FOR THE DIPLOMA OF BUSINESS MANAGEMENT

COURSE CODE: DBM 02

COURSE TITLE: PRINCIPLES OF ACCOUNTING

DATE: 4TH MAY, 2018

TIME: 9AM – 12.00 NOON

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 6 PRINTED PAGES

PLEASE TURN OVER

DBM 02: PRINCIPLES OF ACCOUNTING

STREAM: DIP. DBM

DURATION: 3 HOURS

INSTRUCTIONS TO CANDIDATES

- i. Answer Question **ONE** and any other **TWO** questions.
- ii. Do not write on the question paper

Question One

- a). Define the term accounting and explain the fundamentals of accounting (10 marks)
- b). On 10th January 2016, John Mwanja, a sole trader received his monthly bank statement for December 2015.

The statement showed the following:

Date	particulars	Debit	Credit	Balance
2015				
Dec 1	balance			186,200
5	Cheque No. 417864 (Electricity)	24,300		161,900
5	Dividend		2,600	164,500
5	Local cheque deposit (Solomon Otieno)		21,200	185,700
8	Cheque No 417866(Jemima Nyambura)	17,400		168,300
10	Cheque No. 417867 (Young traders)	1,700		166,600
13	Miscellaneous credit (Kevin Kagai)		18,500	185,100
14	Standing Order	3,200		181,900
20	Cheque no. 417865 (Janet Aoko)	30,700		151,200
20	Local chequ deposit (Donald Korir)		11,800	163,000
21	Cheque No. 417868 (David Okoth)	9,500		153,500
21	Cheque No. 417870 (Rent)	16,100		137,400
24	Bank charges	1,800		135,600
27	Local cheque deposit (Joy Nduta)		4,700	140,300
28	Direct debit	8,800		131,500
29	Cheque No. 417873 (Daniel Wambua)	1,200		130,300
29	Local cheque deposit (Joseph Ondieki)		27,900	158,200
31	cheque No. 417871 (Moses Siringi)	2,500		155,700

Joseph Kahiga's cashbook for the month of December 2015 was as follows:

2015			2015		
Dec.		Kshs	Dec	Cheque no	Kshs
1	Balance b/d	186,200	1	Electricity	24,300
4	Solomon Otieno	21,200	2	Janet Aoko	30,700
9	Kevin Kagai	18,500	5	Jemimah Nyambura	17,400
19	Donald Korir	11,800	6	Young Traders	1,700
24	Joy Nduta	4,700	10	David Okoth	9,500
27	Joseph Ondieki	27,900	14	Victor Karanja	7,100
29	Owen Ndumbi	9,800	16	Rent	16,100
30	Walter Oyugi	13,400	20	Moses Siringi	2,500
			21	Steve Maithya	3,700
			22	Daniel Wambua	1,200
			31	Balance c/d	179,300
		293,500			293,500

Required

- i. John Mwanja's updated cash book as at 31st December, 2015 (10 marks)
- ii. John Mwanja's bank reconciliation statement as at 31st December, 2015 (10 marks)

Question Two

Joseph Akala runs a wholesale business selling children's clothing. His trial balance for the year ended 30th September, 2014 was as follows:

	Shs '000'	shs '000'
Land and buildings	28,000	
Motor Vehicles	21,000	
Inventory (1 st October, 2013)	10,500	
Sales		184,450
Purchases;	98,000	
Returns inward and returns outward	7,000	3,500
Discounts allowed and discounts received	5,250	9,800
Rent	700	
Furniture and fixtures	14,000	
Trade receivables ad trade payables	17,500	14,000
Telephones expenses	1,050	
Allowance for doubtful debts		1,050
Bad debts written off	7,000	
Electricity	1,050	
Carriage inwards	700	
General expenses	10,500	

Salaries and wages	14,000	
Drawings	7,000	
Capital		32,500
Carriage outwards	1,050	
Bank balance	<u>1,000</u>	
	<u>245,300</u>	<u>245,300</u>

Additional information

1. Inventory as at 30th September 2014 was valued at shs 7,000,000
2. Allowance for doubtful debts is to be increased by 10%
3. Rent accrued as at 30 September 2014 amounts to shs 525,000
4. Electricity and telephone bills prepaid as at 30th September 2014 amount to shs 175,000 and shs 525,000 respectively
5. General expenses accrued as at 30th September 2014 amount to shs 700,000
6. Depreciation is provided on motor vehicles and furniture and fixtures at 15% per annum on cost

Required

- i. Income statement for the year ended 30th September 2014 (10 Marks)
- ii. Statement of financial position as at 30th September 2014 (10 marks)

Question Three

You are to enter the following transactions completing the double entry in the books for the month of May 2012

- May 1 Started business with shs 2,000 in the bank
- 2 Purchased goods shs 175 on credit from Rooks
- 3 Bought furniture and fittings shs 150 paying by cheque
- 5 sold goods for cash shs 275
- 6 Bought goods on credit shs 114 from Scot
- 10 Paid rent by cash shs 15
- 12 Bought stationery shs 27 paying in cash
- 18 Goods returned to Rooks shs 23
- 21 let off part of the premises receiving rent by cheque shs 5
- 23 Sold goods on credit to Foot for shs 77
- 24 Bought a motor van paying by cheque shs 300
- 30 Paid the month's wages by cash shs 117
- 31 The proprietor took cash for himself shs 44

Question Four

D Moody has the following assets and liabilities as on 31 April 2002:

	shs
Creditors	15,800
Equipment	46,000
Motor Vehicle	25,160
Stock	24,600
Debtors	23,080
Cash at bank	29,120
Cash in hand	160

During the first week of May 2002 Moody:

- a. Bought extra equipment on credit for shs 5,520.
- b. Bought extra stock by cheque shs 2,280.
- c. Paid creditors by cheque shs 3,160.
- d. Debtors paid shs 3,360 by cheque and shs 240 by cash.
- e. Moody put in extra shs 1,000 cash as capital.

Required:

- a. Determine the capital as at 1st May 2002.
- b. Draw up a balance sheet after the above transactions have been completed.

Question Five

Charles Ayodo is a sole trader. At 30 June 2000 the following balances have been extracted from his books:

	Shs
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.
