



ALUPE UNIVERSITY COLLEGE
Pastion of Knowledge

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**OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH**

UNIVERSITY EXAMINATIONS

2017/2018 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER EXAMINATION

**FOR THE DEGREE OF BACHELOR
OF BUSINESS MGT/BACHELOR OF
ARTS (ECONOMICS)**

**SCHOOL: BUSINESS, ECONOMICS &
HUMAN RESOURCE DEVELOPMENT**

COURSE CODE: ECO 101/BBM 112

**COURSE TITLE: ACCOUNTING I/PRINCIPLES OF
ACCOUNTING I**

DATE: 14th December, 2017 TIME: 9.00am-12.00pm

For examiner's Use Only

Question	I.E	E.E
CAT		
EXAM		
TOTAL		

INSTRUCTION TO CANDIDATES: SEE INSIDE

THIS PAPER CONSISTS OF 20 PRINTED PAGES

PLEASE TURN OVER

Insert the numbers of the questions you have answered in the order done

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Student Admission No.....Exam Card No.....Signature.....

INSTRUCTIONS TO CANDIDATES

1. Write your **Admission Number**, **Exam Card Number** and **Sign** in the spaces provided at the bottom of each page of the Examination Booklet. **DO NOT** write your name anywhere in this booklet.
2. Write on both sides of the pages.
3. All rough work must be done in the Answer sheets and crossed through.
4. If supplementary pages are used, they must be fastened all together at the end of this Booklet. Supplementary pages should be used only after all the leaves in the booklet have been exhausted.
5. It is a serious examination offence to cheat or to have unauthorized materials including **MOBILE PHONES** (whether on or off) in the examination venue.
6. In no circumstances must Answer Booklet used or unused, be removed from the examination room by a candidate.
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8. Do not pluck any page from this Booklet. Any extra/unused answer sheets should be returned to the **Examination Office**.
9. Candidates who come to examination room 30 minutes late will not be allowed to sit for the exam.
10. Candidates will not be allowed to leave the exam room once the exam commences.
11. Candidates are advised that importance is attached by examiners to accuracy and clarity of expression.
12. Committing any form of irregularity is prohibited and shall attract severe disciplinary action in accordance with Alupe University College Examination Regulations.

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INSTRUCTIONS: ANSWER QUESTION ONE IN SECTION A AND ANY OTHER TWO IN SECTION B

Time 3 Hours

SECTION A



QUESTION ONE

- a) Citing an example in each case, briefly explain four types of bookkeeping errors which are not disclosed by a trial balance **(6 marks)**
- b) "To prepare and present financial reports as per the International Accounting Standard IAS 1 an accountant needs to establish some concepts as guidelines" using examples explain this statement. **(6 marks)**
- c) Explain what is meant by accounting cycle **(3 marks)**
- d) The trial balance extracted from the books of Benard Masita as at 30th September, 2015 failed to agree. The debit difference of Kshs 442,000 was posted to a suspense account. An income statement was prepared which showed a gross profit and a net profit of Kshs 1,985,000 and Kshs 1,229,000 respectively. Upon investigations, the following errors were discovered:
- i. A purchase of kshs 150,000 on credit was correctly posted to the suppliers account but was completely omitted from the purchase daybook
 - ii. Sales amounting to kshs 250,000 to Samuel Njuguna were erroneously credited to his account. The sales account had been correctly posted
 - iii. Salaries paid for the month of September 2015 amounting to kshs 230,000 were recorded in the salaries account as kshs 320,000
 - iv. Purchases of office stationery for kshs 125,000 were erroneously debited to purchases account
 - v. A payment of kshs 45,000 to Daniel Olunya a creditor was erroneously debited to the account of Alois Olunya another creditor
 - vi. An entry of kshs 21,000 for returns outwards was made in error in the sales day book instead of in the purchases return day book
 - vii. A bad debt of kshs 22,500 is yet to be written off
 - viii. Goods valued at kshs 220,000 were taken for personal use but no entry had been made in the books
 - ix. A discount received of kshs 90,000 was correctly entered in the cashbook but posted to the discounts allowed account

Required

- a) A fully balanced suspense account **(5 marks)**
- b) Statement of corrected gross profit **(5 marks)**
- c) Statement of corrected net profit **(5 marks)**

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SECTION B**QUESTION TWO**

- a. Explain the term “bank reconciliation” and state the reasons for its preparation.
- b. Ssemakula, a sole trader received his bank statement for the month of June 2014. At that date the bank balance was shs 706,500 whereas his cash book balance was shs 2,366,500. His accountant investigated the matter and discovered the following discrepancies:

1. Bank charges of shs 3,000 had not been entered in the cashbook
2. Cheques drawn by Ssemakula totaling shs 22,500 had not yet been presented to the bank
3. He had not entered receipts of shs 26,500 in his cash book
4. The bank had not credited Mr. Ssemakula with receipts of shs 98,500 paid into the banks on 30th June 2014
5. Standing order payments amounting to shs 62,000 had not been entered into the cash book
6. In the cash book Ssemakula had entered a payment of shs 74,900 , shs 79,400
7. A cheque for shs 15,000 a debtor had been returned by the bank marked ‘refer to drawer’ but had not been written back into the cashbook
8. Ssemakula had brought forward the opening cash balance of shs 329,250 as a debit balance instead of a credit balance
9. An old cheque payment amounting to shs 44,000 had been written back in the cashbook but the bank had already honored it.
10. Some of Ssemakula’s customers had agreed to settle their debts by paying directly into his account. Unfortunately, the banks had credited some deposits amounting to shs 832,500 to another customer’s account. However, acting on information from his customers, Ssemakula had actually entered the expected receipts from the debtors in his cashbook

Required:

- i. A statement showing Ssemakula’s adjusted cash book balance as at 30th June 2014
(10 marks)
- ii. A bank reconciliation statement as at 30th June 2014
(10 marks)

QUESTION THREE

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

	Shs '000'	shs '000'
Land and buidings	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	1,000	
	<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)

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- ii. Statement of financial position as at 30th September 2014 (10 marks)

QUESTION FOUR

From the following trial balance of M Fry, you are asked to draw up an income statement for the year ended 31st December 2007 and a statement of financial position as at that date.

	Shs '000'	Shs '000'
Profit and loss account 31 st December 2006		23,000
Sales		52,000
Purchases	33,000	
Stock in trade 31 December 2006	9,660	
Premises	135,000	
Equipment	25,000	
Vehicles	16,000	
Bank	9,600	
Wages	14,500	
Insurance	2,340	
Preference share capital (shs 1 shares) 6%		50,000
Ordinary share capital (shs 1)		120,000
Provision for bad debts		450
General reserve		7,800
Debtors	12,400	
Creditors		7,000
Rent	3,250	
Total	260,750	260,750

Addition Information

- Stock in trade at 31st December, 2007 was shs 10,660,000
- Prepaid wages shs 320,000
- Insurance owing shs 45,000
- The provision for debtors is to be maintained at 5%
- Corporation tax is to be provided for at shs 1,600,000
- The preference dividend is to be provided for and an ordinary dividend of 5% is also to be provided for.

QUESTION FIVE

XMLtd. Maintains control accounts in its business records. The balances and transactions relating to the company's control accounts for the month of December 2014 are listed below:

Balance at 1 December 2014 6,185,000(debit)

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Sales ledger	52,500 (credit)
Purchases ledger	16,500 (debit)
	4,285,000 (credit)
Transactions during December 2014:	
Sales on credit	8,452,000
Purchases on credit	5,687,500
Returns inwards	203,500
Returns outwards	284,000
Bills of Exchange payable	930,000
Bills of Exchange receivable	615,000
Cheques received from customers	7,985,000
Cheques paid to suppliers	4,732,000
Cash paid to suppliers	88,500
Bills payable dishonored	400,000
Charges on bill payable dishonored	10,000
Cash received from credit customers	153,000
Bad debts written -off	64,500
Cash discounts allowed	302,000
Bills receivable dishonored	88,500
Balances at 31 st December 2014:	
Sales ledger	44,000 (credit)
Purchases ledger	23,500 (debit)

Required:

Post the trade payables ledger control accounts for the month of December 2014 and derive the respective debit and credit closing balances on 31st December 2014 (20 marks)



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