



ALUPE UNIVERSITY
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Bastion 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 EDUCATION (BUSINESS STUDIES)
SCHOOL: EDUCATION AND
SOCIAL SCIENCES**

COURSE CODE: EDB 100

COURSE TITLE: PRINCIPLES OF ACCOUNTING

DATE: 15th December, 2017 TIME: 9.00am-12.00pm

INSTRUCTION TO CANDIDATES: SEE INSIDE

THIS PAPER CONSISTS OF 20 PRINTED PAGES

For examiner's Use Only

Question	I.E	E.E
CAT		
EXAM		
TOTAL		

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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9. Candidates who come to examination room 30 minutes late will not be allowed to sit for the exam.
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11. Candidates are advised that importance is attached by examiners to accuracy and clarity of expression.
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INSTRUCTIONS TO CANDIDATES

**ANSWER QUESTION ONE FROM SECTION A AND ANY OTHER TWO (2)
QUESTIONS FROM SECTION B**

SECTION A**QUESTION ONE**

- a) Your consultancy firm has been informed to prepare a report for management on the users of financial statements and the conventions employed in the preparation of the financial statements. **(8 Marks)**
- b) List five reasons why a sales ledger control and purchase ledger control account should be prepared **(4 marks)**
- c) John Peter started a retail shop on 1st January 2015 with a capital of Kshs 3,500,000 cash. During the month he carried out the following transactions.
- Jan 2 put Kshs 2,800,000 of the cash into a bank account
- Jan 3 Bought goods for cash Kshs 150,000
- Jan 4 Bought goods on credit from Nyambura Kshs 360,000; M. Kisozi Kshs 490,000; P.Otieno Kshs 110,000 and Mutuko Kshs 340,000
- Jan 5 Bought stationery on credit from Seal Honey Ltd Kshs 170,000
- Jan 6 Sold goods on credit to: Wakarindi Kshs 90,000; Pinto Gama Kshs 150,000; Hassan Miko 190,000; Petero 160,000
- Jan 8 Paid electricity by cheque Kshs 55,000
- Jan 10 Bought furniture on credit from Supremes Ltd Kshs 480,000
- Jan 11 Paid Salaries and wages in cash Kshs 120,000
- Jan 14 Returns goods to M. Kisozi Kshs 40,000; P. Otieno Kshs 60,000
- Jan 15 Bought motor vehicle by cheque Kshs 600,000
- Jan 18 goods returned to John Peter by Wakarindi Kshs 20,000; Hassan Miko Kshs 40,000
- Jan 21 Cash sales Kshs 90,000
- Jan 21 Sold goods on credit to: Pinto Gama Kshs 100,000; Petero Kshs 340,000; Muuguzi Kshs 115,000
- Jan 26 Paid the following by cheque: Kisozi kshs 450,000; P. Otieno Kshs 50,000
- Jan 29 Received cheque from : Muuguzi Kshs 115,000; Pinto Gama Kshs 250,000
- Jan 30 Received a further loan from Shailoki by cash Kshs 200,000
- Jan 30 Received Kshs 500,000 cash from Petero

Required

Prepare the following:

- a) journal entries, **(6 marks)**
- b) ledgers **(8 marks)**
- c) Extract a trial balance **(4marks)**



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SECTION B

QUESTION TWO

The following trial balance has been extracted from the ledger of Mr. Makokha a sole trader.

	SHS	SHS
Sales		138,078
Purchases	82,350	
Carriage	5,144	
Drawings	7,800	
Rent, rates and insurance	6,622	
Postage and stationery	3,001	
Advertising	1,330	
Salaries and wages	26,440	
Bad debts	877	
Provision for bad debts		130
Debtors	12,120	
Creditors		6,471
Cash in hand	177	
Cash at bank	1,002	
Stock at at 1 June 2015	11,927	
Equipment		
At cost	58,000	
Accumulated depreciation		<u>19,000</u>
Capital		<u>53,091</u>
	<u>216,770</u>	<u>216,770</u>

The following additional information as at 31 May 2016 is available:

- Rent is accrued by shs 210.
- Rates have been prepaid by shs 880.
- Shs 2,211 of carriage represents carriage inwards on purchases.
- Equipment is to be depreciated at 15% per annum using the straight line method.
- The provision for bad debts to be increased by shs 40.
- Stock at the close of business has been valued at shs 13,551.

Required:

Prepare an income statement and a statement of financial position for the year ended 31 May 2016.

(20 Marks)

QUESTION THREE

Poesha Limited keeps sales and purchases control accounts in the General Ledger. The transactions for the month ended 30 April 2000 were as follows:

		Sh
Credit balances on 1 April 2000	-Sales ledger	154,000
	-Purchases ledger	569,000
Debit balances on 1 April 2000	-Sales ledger	956,000

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Credit balances on 30 April 2000	-Purchases ledger	196,000
Debit balances on 30 April 2000	-Sales ledger	178,000
Credit purchases	Purchases ledger	189,000
Credit sales		2,450,000
Cheques received from debtors		4,563,000
Cash received from debtors		3,140,000
Cheque payments to creditors		1,367,000
Cash payments to creditors		1,994,000
Bad debts written off		352,000
Discounts received		68,000
Discounts allowed		104,000
Contra entry to sales ledger from purchases ledger		169,000
Refunds to debtors		234,000
Returns outwards		62,000
Returns inwards		138,000
		231,000

**Required:**

Sales ledger and purchases ledger control accounts for the month ended 30 April 2000 (**Total 20 marks**)

QUESTION FOUR

1. Explain the term "provisions" as used in financial accounting (**5 marks**)
2. Ben Omwenga started a transport business on 1 January 2012 operating under the name Msafiri Services. He bought motor vehicles as follows:

Year 2012

- a. On 1 January, he purchased a motor vehicle (KBM 4413G) AT shs 1,200,000
- b. On 1 July, he bought a second motor vehicle (KBM 6291K) at shs 800,000

Year 2013:

- a. On 1 April, he bought a third motor vehicle (KBP 1540F) at shs 900,000
- b. On 30 September, he bought a fourth motor vehicle (KBQ 1940X AT SHS 1,000,000)

Year 2014

- a. On 30th April, KBM 4413G was disposed of for shs 900,000
- b. On 30 June, KBM 6291K was involved in an accident and was written off. The insurance company paid a compensation of shs 680,000
- c. On 31st March, KBP 1540F was traded in with KCA 9450Y which was valued at shs 1,200,000. Ben Omwenga paid the dealer shs 400,000 in cash

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Depreciation on the motor vehicles is to be provided at the rate of 15% per annum on the straight-line method on a pro rata basis

Required

For the years ended 31st December 2012, 2013, 2014 prepare

- a. The motor vehicles account
- b. Provisional for deprecation account
- c. Motor vehicle disposal account(**Total 15 marks**)

QUESTION FIVE

- a. Differentiate between a cash book and analytical petty cash book(**5 marks**)
- b. Draw a three column cash book from the following details for the month of December 2015 and extract the discount ledgers.
 1. Balance brought forward: cash kshs 230,000, bank kshs 4,756,000
 2. The following paid their accounts by cheques in each deducting 5% discounts:
Burton kshs 140,000, E Taylor kshs 220,000, Haris kshs 300,000
 3. Paid rent by cheque kshs 120,000
 4. We paid the following accounts by cheque in each case deducting a 2 1/2% cash discount: N Black kshs 360,000, P Towers kshs 480,000, C Rowse kshs 800,000
 5. We paid wages in cash kshs 160,000
 6. Cash withdrawn from the bank kshs 350,000 for business use
 7. Cash drawings kshs 120,000
 8. Paid T. Briers his account of kshs 140,000 by cash kshs 133,000 having deducted kshs 7,000 cash discount
 9. Brought fixtures paying by cheque kshs 650,000
 10. Received commission by cheque kshs 88,000(**15 marks**)

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