

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS
CHUKA, THARAKA & IGEMBE

FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF COMMERCE, BACHELOR OF COOPERATIVE
MANAGEMENT & BACHELOR OF ENTREPRENEURSHIP MANAGEMENT

BCOM 111/BBAM 110: PRINCIPLES OF ACCOUNTING I

STREAMS: BCOM, BCOP & BBAM (Y1S1)

TIME: 2 HOURS

DAY/DATE: TUESDAY 05/12/2017

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

- Answer question ONE and any other TWO questions only
- Strictly do not write anything on the question paper

1. (a) Explain FIVE fundamental concepts recognized as underlying to the preparation of quality financial statements. [10 marks]
- (b) The following trial balance was extracted from the books of Donco enterprises ltd at 30th September 2017

	Dr.	Cr.
	(sh.)	(sh.)
Sales for the year		864,321
Annual purchases	600,128	
Return inwards	2,746	
Return outwards		3894
Office expenses	33,947	
Salaries	122,611	
Motor vehicle expenses	36,894	
Discount allowed	3,187	
Debtors and creditors	74,328	52,919
Value Added Tax		10,497
Opening stock	63,084	
Motor vehicles	83,500	
Office Equipments	23,250	
Discount received		4951
Land and buildings	100,000	
Bank loan		75,000
Bank balance	1197	
Capital		155,000
Drawings	21,710	
	<u>1,166,582</u>	<u>1,166,582</u>

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Additional information on 30th September 2017

- (i) Stock valuation sh. 66, 941
- (ii) Motor vehicle expenses owing sh 1, 250
- (iii) Office expenses prepaid sh. 346
- (iv) Goods costing sh. 250 were taken yb proprietors home use.
- (v) Create provisions for bad debts 10% of debtors

Required:

- (i) Comprehensive income statement for the year ended 30th September 2017. [12 marks]
 - (ii) Statement of financial position as at the same date. [8 marks]
2. (a) Describe the various errors that do not affect the trial balance. [6 marks]
- (b) The following figures were extracted from the books of Tangazo enterprises ltd for the month of October 2017.

Particulars		Sh.
Purchases ledger balance 1 st October	(Dr)	350,000
	(Cr)	18,460,000
Sales ledger balances	(Dr)	47,600,000
	(Cr)	1,350,000
Credit purchass		39,400,000
Credit sales		68,940,000
Cash sales		25,000,000
Return inwards		2,500,000
Return outwards		2,500,000
Receipt from trade debtors		890,000
Payment trade debtors		52,600,000
Payment to trade creditors		38,680,000
Discount received		4,750,000
Discount allowed		6,990,000
Bad debts written off		1,240,000
Interest charged to debtors		360,000
Debtors chequesdisonored		870,000
Purchases ledger credit transferred to sales ledger		1,230,000
Purchases ledger balances 31 st October (Dr)		480,000
Sales ledger balances (Cr)		1,690,000

Required:

- (a) Debtors ledger control account. [8 marks]
- (b) Creditors ledger control account. [6 marks]

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3. Machani William started business on 1st September 2017 at Ndagani Chuka market. The following are the transactions done during the month.

1st Brought in capital sh. 2,500, 000 out of which he deposited sh. 2000,000 into business bank account.

3rd purchase of goods on credit from Kehash 180,000

4th purchase of goods on cash from Mwangororo sh. 200,000 and by cheque form Akama sh. 100,000

6th purchased motor vehicle by cheque from Mutuash 1, 200,000

9th scale of goods for cash sh. 122,000 and to Mohamed sh. 170,000 paid by cheque

12th sale of goods on credit to pangangash 89,000

18th purchases of goods from Mary credit sh. 190,000

21st payment to Keha in cash sh. 177,000 for full settlement of debt.

24th received cheque from pangangash 60,000

26th paid wages & salaries sh 205, 000 by cheque

29th withdrew from bank for business use sh 40,000

30th took from cash till sh 30,000 for payment of school fees for the son.

Required:

(a) Two column cash book. [7 marks]

(b) Other respective ledger accounts [9 marks]

(c) Trial balance [4 marks]

4. (a) The following are final statements provided by Maasai company ltd for the year ended 31st March 2017.

(i) Income statement

Particulars	Sh	particulars	Sh
Purchases	12,000,000	Sales	18,000,000
Opening stock	2,000,000	Closing stock	3,000,000
Gross profit c/d	7,000,000		
	21,000,000		21,000,000
Annual expenses	3,500,000	Gross profit b/d	7,000,000
Net profit	<u>3,400,000</u>		
	<u>7,000,000</u>		<u>7,000,000</u>

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Statement of financial position

Liabilities	Sh	Assets	sh
Share capital @ sh 10	8,000,000		
Net profit	3,600,000		7,000,000
10% KCB loan	2,400,000		5,000,000
Creditors	4,000,000	Debtors	3,000,000
Bills payable	1,000,000	Cash	2,000,000
Accrued bills	1,000,000	Bank	2,000,000
Proposed dividends	<u>2,000,000</u>	Closing stock	<u>3,000,000</u>
	<u>22,000,000</u>		<u>22,000,000</u>

Required:

- (a) Compute the following ratios
- (i) Net profit ratio [2 marks]
 - (ii) Return on capital employed (ROCE) [3 marks]
 - (iii) Current ratio [3 marks]
 - (iv) Quick ratio [3 marks]
 - (v) Acid test ratio [1 mark]
 - (vi) Gearing ratio [3 marks]
- (b) Using the ratios computed above comment on liquidity status of the company. [5 marks]
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