



GARISSA UNIVERSITY

UNIVERSITY EXAMINATION **2017/2018** ACADEMIC YEAR **ONE**
FIRST SEMESTER EXAMINATION

SUPPLEMENTARY/SPECIAL EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 112

COURSE TITLE: PRINCIPLES OF ACCOUNTING1

EXAMINATION DURATION: 3 HOURS

DATE: 21/03/18

TIME: 09.00-12.00 PM

INSTRUCTION TO CANDIDATES

- The examination has FIVE (5) questions
- Question ONE (1) is COMPULSORY
- Choose any other THREE (3) questions from the remaining FOUR (4) questions
- Use sketch diagrams to illustrate your answer whenever necessary
- Do not carry mobile phones or any other written materials in examination room
- Do not write on this paper

This paper consists of SEVEN (7) printed pages

please turn over



QUESTION ONE (COMPULSORY)

- (a) Briefly describe any **four** source documents used in a firm. **[4 marks]**
- (b) Explain any three advantages of preparing control accounts **[3 marks]**
- (c) Accounting information is used by different individuals for purposes of decision making. However, this information suffers from a number of inadequacies. Outline any three such inadequacies of financial accounting information. **[3 marks]**
- (d) The statement of financial position of Daima Traders as at 31st Dec 2015 is given below

Daima Traders
Statement of financial position
As at 31st Dec. 2015

ASSETS	Cost	Dep	Net
Non current Assets	Shs	Shs	Shs
Furniture and Fittings	480,000	(200,000)	280,000
Motor Vehicle	600,000	(160,000)	440,000
			720,000
Current Assets			
Inventory		1,200,000	
Debtors		680,000	
Bank		200,000	2,080,000
TOTAL ASSETS			2,800,000
Financed by			



Capital		1,800,000	
Add profit		1,600,000	
		1700000	
Less Drawings		(1,200,000)	2,200,000
Current liabilities			
Creditors		596.000	
Suspense Account		4,000	600,000
			2,800,000

Afterwards the following errors were discovered

- i. The purchases daybook had been under cast by shs 32,000
- ii. The cost of new equipment (shs 24,000) had been debited to the repair a/c Depreciation on this equipment should be provided at 15% P.a. straight line basis.
- iii. A balance of shs.16,000 due from Mariam was omitted from total debtors
- iv. An entry of shs 4,000 with respect to returns outwards was made in the sales daybook instead of the purchases returns daybook
- v. A cheque for shs. 10,000 paid to Hassan (a Creditor) was correctly entered in the Cashbook but were credited to her account.
- vi. A debt of shs 10,000 should have been written off from one of debtors a/c
- vii. Goods with a sale value of shs. 80,000 had been taken by the proprietor for personal use. They were not recorded anywhere.
- viii. A discount of shs. 36,000 received had been correctly entered in the purchases ledger but had been posted to the wrong side of the discounts received a/c

Required:

- i. Journal entries necessary to correct the above errors **[5 marks]**
- ii. Suspense account duly balanced after correcting the errors **[5 marks]**
- iii. Statement of adjusted profit **[5 marks]**



QUESTION TWO

- (a) A trial balance may balance even when there are errors. Briefly describe five errors that may not be revealed by a trial balance. **[5 marks]**
- (b) For accounting information to be useful for decision making, it should possess certain characteristics. Briefly describe any such five characteristics of good accounting information. **[5 marks]**
- (c) Explain three purposes of preparing bank reconciliation. **[3 marks]**
- (d) Briefly describe any two generally accepted accounting principles and in each case give the limitation of the principle/concept **[2 marks]**

QUESTION THREE

- (a) Accounting information is prepared for consumption of various stakeholders. Briefly describe any four users of accounting information in each case specifying their information needs. **[4 marks]**
- (b) Raha Ltd sells goods on credit. The following balances were extracted from its ledger accounts as at 31st Dec 2015

Shs.

Sales	3,625,000
Creditors	255,000
Debtors	475,000
Purchases	2,090,000
Discount allowed	47,500
Cash received from debtors	3,415,000
Discount received	36,000
Cash paid to creditors	1,975,000
Returns inwards	185,000



Provision for doubtful debts as at 1.1.2015	26,500
Selling and distribution expenses	67,500
Returns outwards	42,500
Payments to suppliers by cheque	75,000
Receipts from customers by cheque	85,000

Additional information

- i. A cheque for shs.7,900 from Judy, a customer was returned marked “effects not cleared”
- ii. Bad debts amounting to shs.42,500 are to be written off and a provision for doubtful debts is to be raised to 10% of the debtors balance as at 31st Dec 2013.
- iii. As at 31st Dec 2013 a cheque of shs.5,500 had been received from Hassan. This customer had owed the business shs.17,500, and this amount had been earlier written off. No record has been made in the books regarding the shs.5,500 received.

Required

- i. Debtors ledger control account **[4 marks]**
- ii. Purchases ledger control account **[4 marks]**
- iii. Bad debts account **[1 mark]**
- iv. Provision for doubtful debts **[2 marks]**

QUESTION FOUR

- (a) Explain any three uses of control accounts **[3 marks]**
- (b) Bura Traders does not keep proper books of account. You ascertain that his bank payments and receipts during the year to 31 December 2016 were as follows:

Receipts. Shs. Payments. Shs.

Balance 1 Jan 2016	858,000	Purchases	15,010,500
Cheques for sales	19,768,500	Drawings	16,875,000
Cash banked	21,007,500	Expenses	4,425,000



Balance 31 Dec 2016	5,626,500	Delivery van	10,950,000
	47,260,500		31,507,000

From the cash note book you ascertain the following

Shs.

Cash in hand 1 st Jan 2016	93,000
Cash received from customers	24,450,000
Purchases paid in cash	2,775,000
Expenses paid in cash	562,500
Cash in hand 31 st Dec 2016	97,500
Drawings by proprietor in cash	unknown

You discover that assets and liabilities were as follows

	1 st Jan 2016	31 st Dec 2016
Shs.Shs.		
Debtors	2,775,000	3,105,000
Trade creditors	1,875,000	2,175,000
Inventory	3,975,000	4,485,000

Depreciation on the van is to be provided at 20%

Required:

- i. Statement of comprehensive income **[7 marks]**
- ii. Statement of financial position **[5 marks]**



QUESTION FIVE

(a) Describe any three types of discounts

[3 marks]

(b) The following transactions took place in a Garissa college in the month of January 2016

Jan 1: Main cashier gives petty cashier kshs. 60,000 as float.

The following payments were made in the month.

Jan 2: College bus petrol kshs. 3,200

Jan 3: Abdi a staff member given kshs. 4,600 for fare.

Jan 3: Postage kshs. 2,400

Jan 4: Hassan staff member given kshs. 6,400 for fare.

Jan 7: Cleaning expenses kshs. 2,200

Jan 9 : Petrol kshs. 4,200

Jan 12: Francis, staff member given kshs. 2,600 for fare

Jan 14: Petrol for van kshs. 4,600

Jan 15: Agnes, staff member given kshs. 1,000 for fare

Jan 16: Cleaning expenses kshs. 2,200

Jan 18: Petrol for van kshs. 4,400

Jan 20: Postage kshs. 2,400

Jan 22: Cleaning expenses kshs. 2,200

Jan 24: Farah staff member given kshs. 1,400 for fare

Jan 27: Settlement of John account in purchases ledger kshs. 2,600

Jan 29: Postages kshs. 2,400

Required:

Prepare an analysis petty cash book using by categorizing the expenses as motor vehicle expenses, staff travelling, postage, cleaning or ledger account.

[12 marks]

