



GARISSA UNIVERSITY

**UNIVERSITY EXAMINATION 2016/2017 ACADEMIC YEAR ONE
FIRST SEMESTER EXAMINATION**

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DBM 02

COURSE TITLE: PRINCIPLES OF ACCOUNTING

EXAMINATION DURATION: 3 HOURS

DATE: 13/12/17

TIME: 02.00-05.00 PM

INSTRUCTION TO CANDIDATES

- **The examination has SIX (6) questions**
- **Question ONE (1) is COMPULSORY**
- **Choose any other THREE (3) questions from the remaining FIVE (5) 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 SIX (6) printed pages

please turn over



QUESTION ONE (COMPULSORY)

State and explain the users of accounting information

[10 marks]

A cashier in a firm starts with sh.2, 000 in the month of March (that is the cash float). In the following week, the following payments are made:

	SH
1 st March – bought stamps for	80
2 nd March – paid bus fare for	120
2 nd March – cleaning materials	240
3 rd March – bought fuel	150
3 rd March – cleaning wages	300
4 th March – bought stamps	200
4 th March – paid L. Thompson (creditor)	400
5 th March – fuel costs	150

On the 5th of March the cashier requested for a refund of the cash spent and this amount was reimbursed back.

Required:

Prepare a detailed petty cash book showing the balance to be carried forward to the next period and the relevant expense accounts, as they would appear on the General Ledger.

[15 marks]

QUESTION TWO

From the following trial balance of P Boones draw up an income statement for the year ended 30 September 2002, and statement of financial position at that date.

[15 marks]



	Dr	Cr
	£	£
Stock 1 October 19x8	23,680	
Carriage outwards	2,000	
Carriage inwards		3,100
Returns inwards	2,050	
Returns outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures and fittings	3,500	
Debtors	38,960	
Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital		126,360
	—————	—————
	<u>332,890</u>	<u>332,890</u>



QUESTION THREE

A three-column cashbook is to be written up from the following details, balanced off, and the relevant discount accounts in the general ledger shown. [15 marks]

2017

- Mar 1 Balances brought forward: Cash ksh230; Bank ksh4,756.
- “ 2 The following paid their accounts by cheque, in each case deducting 5 percent discounts: R Burton ksh140; E Taylor ksh220; R Harris ksh800.
- “ 4 Paid rent by cheque ksh120.
- “ 6 J Cotton lent us ksh1,000 paying by cheque.
- “ 8 We paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: N Black ksh360; P Towers ksh480; C Rowse ksh300.
- “ 10 Paid motor expenses in cash ksh44.
- “ 12 H Hankins pays his account of ksh77, by cheque ksh74, deducting ksh3 cash discount.
- “ 15 Paid wages in cash ksh160.
- “ 18 The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston ksh260; R Wilson & Son ksh340; H Winter ksh460.
- “ 21 Cash withdrawn from the bank ksh350 for business use.
- “ 24 Cash Drawings ksh120.
- “ 25 Paid T Briers his account of ksh140, by cash ksh133, having deducted ksh7 cash discount.
- “ 29 Bought fixtures paying by cheque ksh 650.
- “ 31 Received commission by cheque ksh88



QUESTION FOUR

Briefly explain the following terms

- i. Non –current assets [2 marks]
- ii. Current assets [2 marks]
- iii. Liabilities [2 marks]
- iv. Discount received [2 marks]
- v. Discount allowed [2 marks]
- vi. Accounting equation [3 marks]
- vii. Contra entry © [2 marks]

QUESTION FIVE

- (a) Explain forms of business [7 marks]
- (b) Enter up the sales journal from the following details. Post the items to the relevant accounts in the sales ledger and then show the transfer to the sales account in the general ledger. [8 marks]

2003

Mar	1	Credit sales to J Gordon	ksh 1,870
“	3	Credit sales to G Abrahams	ksh 1,660
“	6	Credit sales to V White	ksh 120
“	10	Credit sales to J Gordon	ksh 550
“	17	Credit sales to F Williams	ksh 2,890
“	19	Credit sales to U Richards	ksh 660
“	27	Credit sales to V Wood	ksh 280
“	31	Credit sales to L Simesom	ksh 780



QUESTION SIX

Write up a two-column cashbook from the following details, and balance off as at the end of the month
[15 marks]

2003

- May 1 Started business with capital in cash £1,000.
- “ 2 Paid rent by cash £100.
- “ 3 F Lake lent us £5,000, paid by cheque.
- “ 4 We paid B McKenzie by cheque £650.
- “ 5 Cash sales £980.
- “ 7 N Miller paid us by cheque £620.
- “ 9 We paid B Burton in cash £220.
- “ 11 Cash sales paid direct into the bank £530.
- “ 15 G Moores paid us in cash £650.
- “ 16 We took £500 out of the cash till and paid it into the bank account.
- “ 19 We repaid F Lake £1,000 by cheque.
- “ 22 Cash sales paid direct into the bank £660.
- “ 26 Paid motor expenses by cheque £120.
- “ 30 Withdrew £1,000 cash from the bank for business use.
- “ 31 Paid wages in cash £970.

