



## GARISSA UNIVERSITY

### UNIVERSITY EXAMINATION **2017/2018** ACADEMIC YEAR **ONE** **SECOND** 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: 11/04/18**

**TIME: 2.00-5.00 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)**

- (a) Explain the term “bank reconciliation” and state the reasons for its preparation [9 marks]
- (b) The following are extracts from the cashbook and the bank statement of kiman.

**You are required to:**

- i. Write the cashbook up to date, and state the new balance as on 31 December 2002, [6 marks]
- ii. Draw up a bank reconciliation statement as on 31 December 2002 [10 marks]

Cashbook					
2002	Dr	KSH	2002	Cr	KSH
Dec 1	Balance b/d	1,740	Dec 8	A Dailey	349
Dec 7	J Map	88	Dec 15	R Mason	33
Dec 22	J Cream	73	Dec 28	G Small	115
Dec 31	K Wood	249	Dec 31	Balance c/d	1,831
Dec 31	M Barrett	178			
		<u>2,328</u>			<u>2,328</u>

**Bank Statement**

2002		Dr	Cr	Balance
		KSH	KSH	KSH
Dec 1	Balance b/d			1,740
Dec 7	Cheque		88	1,828
Dec 11	A Dailey	349		1,479
Dec 20	R Mason	33		1,446
Dec 22	Cheque		73	1,519
Dec 31	Credit transfer: J Walters		54	1,573
Dec 31	Bank charges	22		1,551



## QUESTION TWO

Write up a three-column cashbook from the following details, and balance off as at the end of the month

[15 marks]

2018

- 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 KSH650.
- “ 31 Received commission by cheque KSH88.



**QUESTION THREE**

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:

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

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

**Required:**

- i. 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 FOUR**

From the following trial balance of Mohamed draw up a income statement for the year ended 30 September 2002, and statement of financial position at that date ( 15 marks).

	<b>Dr</b>	<b>Cr</b>
	KSH	KSH
Stock 1 October 19x8	23,680	
Carriage outwards	2,000	



Ser. No. BBM 176/18

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
	<hr/>	<hr/>
	<u>332,890</u>	<u>332,890</u>



### QUESTION FIVE

You are to 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

**[15 marks]**

**2003**

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

### QUESTION SIX

- (a) Explain the users of accountant information **[8 marks]**
- (b) Explain what you understand by accounting equation **[4 marks]**
- (c) State characteristics of sole proprietorship **[3 marks]**

