

ACCT 110 EXAM BL FOUNDATIONS OF ACCOUNTING



Released August 2024



KABARAK UNIVERSITY
UNIVERSITY EXAMINATIONS
MAIN CAMPUS
SECOND SEMESTER, 2024 ACADEMIC YEAR
EXAMINATION FOR THE BACHELOR OF
HUMANITIES, SOCIAL STUDIES AND EDUCATION
(ARTS)

ACCT 110 FOUNDATIONS OF ACCOUNTING I

STREAM:[Y1S1] BLENDED

TIME: 11:30-1:30PM

EXAMINATION SESSION: MAY - AUGUST

DATE: 19/08/2024

INSTRUCTIONS TO CANDIDATES

- 1. Answer Question 1 and any other two questions in the answer booklet provided.**
- 2. Do not write on your question paper. All rough work should be done in your answer booklet.**
- 3. Clearly indicate which question you are answering.**

- 4. Write neatly and legibly.**
- 5. Edit your work for language and grammar errors.**
- 6. Follow all the instructions in the answer booklet**

SECTION A: (COMPULSORY) TOTAL MARKS FOR THIS SECTION IS 30.

QUESTION ONE (30 MARKS)

(a) Describe the following basic concepts:

(i) Business entity concept (1 mark)

(ii) Going Concern assumptions (1 mark)

(iii) Monetary Measurement concept (1 mark)

(iv) Consistency principle (1 mark)

(b) Identify **FOUR** source documents (4 marks)

(c) Fill in the following blank spaces:

Item	Assets	Capital	Liabilities
(i)	500,000	?	350,000
(ii)	?	750,000	200,000
(iii)	2,600,000	?	2,100,000
(iv)	1,100,000	475,000	?

(2 marks)

(d) The following trial balance was extracted from the books of Rafiki a sole trader for the year ending 31.12.2023

	Dr Sh.	Cr Sh.
Buildings	840,000	
Equipment	420,000	
Provision for depreciation:		
Buildings		25,200
Equipment		105,000
Purchases & sales	2,310,000	3,552,000
Discounts	84,000	11,400
Returns	104,400	105,600
Salaries & wages	260,400	
Debtors & creditors	94,800	171,000
Bank overdraft		17,400
Cash in hand	31,200	
Drawing & capital	107,700	184,020
General expenses	40,320	
Provision for bad debts		1,200
Loan		120,000
	4,292,820	4,292,820

Additional information:

- (i) Closing stock was valued at sh.129,600
- (ii) Accrued salaries & wages sh. 24,600
- (iii) General expense include a prepayment for rates of sh. 6,000
- (iv) Provision for bad debts is to be increased to sh. 1680
- (v) Depreciation was to be provided using reducing balance method
 - Building 10% p.a
 - Equipment 12% p.a
- (vi) Loan interest of sh. 12,000 is outstanding

Required:

- (a) Prepare income statement for the year ending 31.12.2023
(10 marks)
- (b) Prepare statement of financial position as at 31.12 2023
(10 marks)

SECTION B. TOTAL MARKS FOR THIS SECTION IS 40.

ANSWER ANY TWO QUESTIONS FROM THIS SECTION. EACH QUESTION IN THIS SECTION CARRIES 20 MARKS.

QUESTION TWO

(20 MARKS)

The following transactions were extracted from the records of Eldo limited.

May:2022

- 1 Opened business with sh. 20,000 in the bank
- 2 Bought fittings shillings 8,000 and paid the amount by cheque
- 5 Bought a delivery truck on credit from General Motors for sh. 100,000
- 7 Bought goods from Naivas retailers for resale sh. 6,000 paying by cheque
- 11 Bought goods on credit from Woolmatt retailers sh.30, 000
- 13 Sold goods on credit to Emining retailers Sh.7, 500
- 15 Received a bank loan from Access bank sh. 70,000. The money was deposited in his bank account.
- 17 Emining retailers paid half of the amount due to them by cheque.
- 21 Paid General Motors sh. 35,000 by cheque

Required:

- (a) Prepare ledger accounts and balance off all the accounts
(12 marks)
- (b) Extract a trial balance as at May 31st, 2022 (8 marks)

QUESTION THREE

(20 MARKS)

- (a) Describe **FOUR** phases of accounting process
(4 marks)
- (b) Outline **SIX** causes of differences between cash book and Bank statement balances

(6
marks)

(c) XYZ started a sole trader business on 1st January 2023. The following information is provided:

January 1st: Deposited sh. 40,000 in his business bank account

January 3rd: Bought Office furniture worth sh.9, 000 and paid by cheque

January 5th: Withdrew sh.10, 000 from the bank and put it in the cash till

January 10th: Paid electricity bill in cash sh. 900

January 15th: Purchased goods for resale worth sh. 8,000 and paid by cheque

January 16th Sold goods for cash worth sh.5, 000

January 20th: Sold goods on credit to Mr. Kimno worth sh.12, 000

January 25th: Obtained a bank loan from Absa bank worth sh.30, 000

Required:

Prepare journal entries to record the above transactions (10
marks)

QUESTION FOUR

(20 MARKS)

- a) Identify **SIX** errors not affecting the agreement of a trial balance (6 marks)
- b) The trial balance of a trader did not balance. The difference was noted to a suspense account pending investigation which later revealed the following errors
- (i) Sales day book was under cast by sh. 5,000

- (ii) Discount received sh.135 from a supplier has been correctly entered in the cashbook but had not been posted to the suppliers personal account.
- (iii) Purchase day book had been under cast by sh. 2925
- (iv) Discount allowed has been under cast by sh. 450
- (v) Another discount allowed of sh. 225 has not been entered in the discount allowed column of the cashbook instead, the sales had been entered in the cash column as sh.1,725 (including the discount allowed). While the customer's account has been correctly credited with the discount and cash received.
- (vi) Goods worth sh.452.50 were returned to Wanja a supplier erroneous entry was made in the return inward books as sh.295

Required:

- (a) Journal entries to correct the above errors (10 marks)
- (b) Suspense account duly balance (4 marks)

QUESTION FIVE

(20 MARKS)

- (a) Outline **SIX** users of accounting information (6 marks)
- (b) Mr. Kiptoo has given you the following information relating to his business during the 1st two weeks of December. 2023

December:

1 Balances B/d cash sh. 35,000, bank overdraft sh. 24,400

- 2 Received a cheque from Omondi sh. 9,800 after deducting a discount of sh. 500
- 3 Deposited 30,000 in the bank account
- 4 Paid Mr. Malatit sh. 10,400 by cheque after deducting sh. 600 discount.
- 5 Received cash sh. 10,400 and cheque sh. 11,000 from Patels after a discount of 1,000.
- 6 Withdrew sh. 2,000 from bank for personal use
- 8 Bought a cash register sh. 8,000 paying sh. 6,000 by cheque.
- 9 Bought stationery sh. 960 by cash
- 10 Paid loan sh. 2,000 by cheque.
- 11 Paid salaries sh. 2,000 in cash and sh. 1,380 by cheque.
- 12 Paid Majani limited sh. 9,300 after deducting sh. 700 discount.

Required:

Prepare a three column cash book to record the above information
(14 marks)