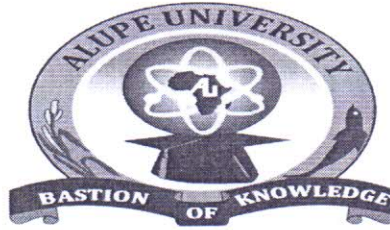


EDB 100



OFFICE OF THE DEPUTY VICE CHANCELLOR
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2023 /2024 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER MAIN EXAMINATION

**FOR THE DEGREE OF BACHELOR OF
EDUCATION ARTS**

COURSE CODE: EDB 100

COURSE TITLE: PRINCIPLES OF ACCOUNTING

DATE: 5TH DECEMBER 2023

TIME: 2.00 TO 5.00 P.M

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 6 PRINTED PAGES

PLEASE TURN OVER

MAIN EXAM
EDB 100: PRINCIPLES OF ACCOUNTING

STREAM: BED

DURATION: 3 Hours

INSTRUCTIONS TO CANDIDATES

- i. Answer Question **ONE** and any other **TWO** questions.
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.
- iii. Do not write on the question paper.

QUESTION ONE (30 MARKS)

- a. ABC Electronics, Inc. is a fictional company engaged in the manufacturing and sale of consumer electronics. They are looking to prepare their financial statements for the year 2023. Being a Chief Executive officer and the expertise acquired in finance, using this case study demonstrate how accounting principles are applied in their financial reporting.
(10 marks)
- b. Mark Kariuki retired from employment on 30 April 2022 and was paid retirement benefits amounting to shs 216,500. With this money Mr. Kariuki started a business in Nairobi on 1 June 2023.

His transactions for the month were as follows:

- June:
- 1 started business with shs 216,500 in cash
 - 2 opened a bank account depositing shs 168,000
 - 4 paid by cheque six Month rent in advance shs 72,000
 - 8 Bought furniture by cheque shs 24,000
 - 15 Purchased goods for sale shs 19,500 by cheque
 - 18 Withdrew shs 3,500 from the bank for office use
 - 21 Sold goods for cash shs 28,800
 - 23 Deposited into the bank shs 42,300
 - 25 Purchased goods on credit from J. Bakery with credit terms of 2/10 net 30 for shs 21,000
 - 26 Sold goods for shs 36,000 receiving payment by cheque
 - 27 Sold goods on credit to T. Kings for shs 14,300
 - 28 Paid wages in cash shs 7,400
 - 28 Paid transport in cash shs 2,400
 - 29 withdrew from bank for personal use shs 12,000
 - 30 Paid electricity shs 4,800 in cash and insurance premium shs 15,000 by cheque
 - 30 Received shs 13,800 cash from T. Kings in full settlement of amounts due from him

Required: Prepare a three column cash book to record the transactions in the month of June 2023 bringing down balances to 1st July 2023 (10 marks)

c) Citing an example in each case, briefly explain four types of bookkeeping errors which are not disclosed by a trial balance (5 marks)

d). Using examples explain the two types of depreciation methods applied in institutions. (5 marks)

QUESTION TWO (20 MARKS)

Mr. Waweru runs a wholesale business selling children's clothing. Her trial balance for the year ended 30th September, 2022 was as follows:

	Shs '000'	shs '000'
Land and buidings	28,000	
Motor Vehicles	21,000	
Inventory (1 st October, 2013)	10,500	
Sales		184,450
Purchases;	98,000	
Returns inward and returns outward	7,000	3,500
Discounts allowed and discounts received	5,250	9,800
Rent	700	
Furniture and fixtures	14,000	
Trade receivables ad trade payables	17,500	14,000
Telephones expenses	1,050	
Allowance for doubtful debts		1,050
Bad debts written off	7,000	
Electricity	1,050	
Carriage inwards	700	
General expenses	10,500	
Salaries and wages	14,000	
Drawings	7,000	
Capital		32,500
Carriage outwards	1,050	
Bank balance	1,000	
	<u>245,300</u>	<u>245,300</u>

Additional information

1. Inventory as at 30th September 2014 was valued at shs 7,000,000
2. Allowance for doubtful debts is to be increased by 10%
3. Rent accrued as at 30 September 2014 amounts to shs 525,000
4. Electricity and telephone bills prepaid as at 30th September 2014 amount to shs 175,000 and shs 525,000 respectively

5. General expenses accrued as at 30th September 2014 amount to shs 700,000
6. Depreciation is provided on motor vehicles and furniture and fixtures at 15% per annum on cost

Required

- i. Income statement for the year ended 30th September 2022 (10 marks)
- ii. Statement of financial position as at 30th September 2022 (10 marks)

QUESTION THREE (20MKS)

XML Limited maintains control accounts in its business records. The balances and transactions relating to the company's control accounts for the month of December 2014 are listed below:

Balance at 1 December 2014	6,185,000(debit)
Sales ledger	52,500 (credit)
Purchases ledger	16,500 (debit)
	4,285,000 (credit)
Transactions during December 2014:	
Sales on credit	8,452,000
Purchases on credit	5,687,500
Returns inwards	203,500
Returns outwards	284,000
Bills of Exchange payable	930,000
Bills of Exchange receivable	615,000
Cheques received from customers	7,985,000
Cheques paid to suppliers	4,732,000
Cash paid to suppliers	88,500
Bills payable dishonored	400,000
Charges on bill payable dishonored	10,000
Cash received from credit customers	153,000
Bad debts written –off	64,500
Cash discounts allowed	302,000
Bills receivable dishonored	88,500
Balances at 31 st December 2014:	
Sales ledger	44,000 (credit)
Purchases ledger	23,500 (debit)

Required:

Post the trade receivables ledger control accounts for the month of December 2014 (20 marks)

QUESTION FOUR (20MKS)

The following was extracted from the books of Adam Odhiambo. A sole trader as at 31st August 2011.

	Shs '000'
Freehold land at cost	28,500
Plant and machinery at cost	8,200
Motor vehicle at cost	4,800
Office equipment at cost	2,000
Returns inwards	1,200
Returns outwards	900
Drawings	9,100
Inventory (1 September 2010)	1,650
Discount allowed	850
Discount received	910
Salaries and wages	6,600
Rent and rates	3,600
Bad debts written off	500
Allowances for doubtful debts (1 September 2010)	250
Trade receivables	6,200
Trade payables	5,100
Postage and stationery	230
Electricity	840
Advertising	1,100
Insurance	740
Carriage inwards	360
Carriage outwards	270
15% bank loan	1,000
Loan interest paid	75
Accumulated depreciation:	
Plant and machinery at cost	3600
Motor vehicle	2000
Office equipment	500
Capital	48,355
Purchases	33,300
Sales	51,800
Bank and cash balance	4,300
Additional information	

- i. Inventory as at 31st August 2011 was valued at shs 2,200,000
- ii. Salaries and wages outstanding amounted to shs 400,000
- iii. Insurance paid in advance was shs 40,000
- iv. Allowance for doubtful debts is to be decreased to shs 200,000

- v. During the year Adam Odhiambo took good worth shs 360,000 from the business for his own use

Depreciation is to be provided as follows:

Asset	Rate per annum
Plant and machinery	15% on reducing balance method
Office equipment	10% on straight line method
Motor vehicle	25% on straight line method

Required

- Income statement for the year ended 31st Aug 2011 (10 marks)
- Statement of financial position as at 31st Aug 2011 (10 marks)

QUESTION FIVE (20 MARKS)

Mr. Ngalwa has the following assets and liabilities as on 31 April 2022:

	shs
Creditors	15,800
Equipment	46,000
Motor Vehicle	25,160
Stock	24,600
Debtors	23,080
Cash at bank	29,120
Cash in hand	160

During the first week of May 2022 Moody:

- Bought extra equipment on credit for shs 5,520.
- Bought extra stock by cheque shs 2,280.
- Paid creditors by cheque shs 3,160.
- Debtors paid shs 3,360 by cheque and shs 240 by cash.
- Moody put in extra shs 1,000 cash as capital.

Required:

- Determine the capital as at 1st May 2022. (6 Marks)
- Draw up a balance sheet after the above transactions have been completed. (14 Marks)
