KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

DIGITAL SCHOOL OF VIRTUAL AND OPEN LEARNING

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

# BAC 100: FUNDAMENTALS OF ACCOUNTING I

**DATE: Friday 22nd June 2018** **TIME: 11.00a.m -1.00p.m**

**INSTRUCTIONS: ANSWER ALL QUESTIONS**

**Question one**

Mr. Patel has been trading for some years as a wine merchant. The following list of balances has been extracted from his ledger as at 30 April 2015, the end of his most recent financial year.

| | Kshs |
|---|---|
| Capital | 83,887 |
| Sales | 259,870 |
| Trade creditors | 19,840 |
| Returns out | 13,407 |
| Provision for bad debts | 512 |
| Discounts allowed | 2,306 |
| Discounts received | 1,750 |
| Purchases | 135,680 |
| Returns inwards | 5,624 |
| Carriage outwards | 4,562 |
| Drawings | 18,440 |
| Carriage inwards | 11,830 |
| Rent, rates and insurance | 25,973 |
| Heating and lighting | 11,010 |
| Postage, stationery and telephone | 2,410 |
| Advertising | 5,980 |
| Salaries and wages | 38,521 |
| Bad debts | 2,008 |
| Cash in hand | 534 |
| Cash at bank | 4,440 |
| Stock as at 1 May 2014 | 15,654 |
| Trade debtors | 24,500 |
| Fixtures and fittings – at cost | 120,740 |
| Provision for depreciation on fixtures and fittings – as at 30 April 2015 | 63,020 |
| Depreciation | 12,074 |

INVOLVEMENT IN ANY EXAMINATION IRREGULARITY SHALL LEAD TO DISCONTINUATION

The following additional information as at 30 April 2015 is available:

(a) Stock at the close of business was valued at Kshs17,750.
(b) Insurances have been prepaid by Kshs1,120.
(c) Heating and lighting is accrued by Kshs1,360.
(d) Rates have been prepaid by Kshs5, 435.
(e) The provision for bad debts is to be adjusted so that it is 3% of trade debtors.

Required to prepare:

a) Income statement for the year ended 30th April 2015 (12 Marks)
b) Statement of financial position for the year ended 30th April 2015. (8 Marks)

**Question two**

a) Explain any **three** purposes for which control accounts are prepared. (6 marks)
b) The following are balances and transactions affecting Clement traders control accounts for the month of May 2015 are listed below:

| | |
|---|---|
| Balances at 1 May 2015 | Sh. |
| Sales ledger | 456,150 (debit) |
| | 10,550 (credit) |
| Purchases ledger | 224,500(credit) |
| | 4,400 (debit) |
| Transactions during May 2015 | |
| Purchases on credit | 906,750 |
| Allowances from suppliers | 31,450 |
| Receipts from customers by cheque | 1,368,500 |
| Sales on credit | 1,837,750 |
| Discounts received | 55,250 |
| Cheques paid to suppliers | 770,650 |
| Contra settlements | 152,300 |
| Allowances to customers | 86,000 |
| Bills of exchange receivable | 325,300 |
| Customers' cheques dishonoured | 24,450 |
| Cash receipts from credit customers | 210, 050 |
| Balances at 31 May 2015: | |
| Sales ledger | 6,800 (credit) |
| Purchases ledger | 3,350 (debit) |

**Required**

i) Sales ledger control account
ii) Purchases ledger control account (14 Marks)

**Question Three**

a) B Ltd made the following transactions in the month of December, 2013.

| | |
|---|---|
| 1 | Started business with Kshs 1,000,000 in the bank. |
| 2 | Purchased goods Kshs.87, 500 on credit from Meric. |
| 3 | Bought furniture and fittings Kshs 75,000 paying by cheque. |
| 5 | Sold goods for cash Kshs 137,500. |
| 6 | Bought goods on credit Kshs 57,000 from Patrick. |
| 10 | Paid rent by cash Kshs 7,500 |
| 12 | Bought stationery Kshs 13,500, paying in cash. |
| 18 | Goods returned to Meric Kshs 11,500. |
| 21 | Let off part of the premises receiving rent by cheque Kshs 2,500. |
| 23 | Sold goods on credit to Muli for Kshs 38,500. |
| 24 | Bought a motor van paying by cheque Kshs 150,000. |
| 30 | Paid the month's wages by cash Kshs, 58,500. |

**Required**

a) Prepare the ledger accounts and balance them off (12 Marks)

b) Extract a trial balance for the month of December 2013 (8 Marks

**Question four**

a) Explain any two characteristics of financial information for decision making purposes (4 Marks)

b) Highlight any four users of financial information and their information need (2 Marks)

c) Outline any **four** accounting concepts (4 Marks)