



KABARAK

UNIVERSITY

BACHELOR OF COMMERCE

ACTS 220: ACCOUNTING AND FINANCE FOR ACTUARIAL SCIENCE

SEPTEMBER- DECEMBER 2016 EXAMS DRAFT

Time Allowed 2Hours

Instructions

Answer question **ONE** and any other **TWO** questions

Marks allocated for each question is indicated at the end of the question

Show all your workings

Question One

- a) Accounting process can be divided into four phases. In line with this statement explain these four phases of the accounting process (8marks)
- b) Explain any three users of accounting information (6marks)
- c) Distinguish between real accounts and nominal accounts (4marks)
- d) The following transactions were extracted from the records of Baringo Electrical for the month of may 2016

1st Opened business with sh. 40,000 in the bank

2nd Bought fittings shillings 16,000 and paid the amount by cheque

5th Bought a delivery truck on credit from CMC Motors for sh. 200,000

7th Bought goods from Nakuru Wholesalers for resale sh. 12,000 paying by cheque

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- 7th Bought goods on credit from Mobile wholesalers sh.60,000
- 12th Sold goods for cash sh.6, 000
- 13th Sold goods on credit to Mr. Shah Sh.15, 000
- 15th Received a loan from Equity sh. 140,000. The money was deposited in his bank account.
- 17th Mr. Shah paid half of the amount due from him by cheque
- 20th Paid wages in cash sh. 2,400.
- 21st Paid CMC Motors sh. 70,000 by cheque
- 29th Sold goods on credit to Shah Sh.56, 000.

Required:

- i) Ledger accounts to record the above entries (8marks)
- ii) Trial balance as at 1 June 2016 (4marks)

(Total 30 marks)

Question two

- a) Explain the following accounting concepts as used in accounting practice
- i) Separate Entity Concept (2marks)
- ii) Going Concern Concept (2marks)
- iii) Historical Cost Concept (2marks)
- iv) Monetary Measurement Concept (2marks)
- b) Bolder Ltd is a company based on Mogotio. The company maintains a petty cashbook on the Imprest system, the Imprest amount being sh. 30,000. The following transaction occurred in the month of September 2016

- September 1 Received Imprest from the cashier sh. 30,000
- 3 Bought postage stamps sh. 2,000
- 6 Paid sh. 4,000 for Peter's account in the purchases ledger
- 7 Bought stationery sh. 5,000.
- 8 Paid travelling allowances to Otieno an employee sh. 4,000.

- 10 Paid window-cleaning expenses sh. 6,000
- 12 Paid Lenanas' account in the purchase ledger sh. 5,000
- 14 Paid subscriptions to a trade association sh. 2,000
- 17 Paid cleaning expenses sh. 2,000.
- 18 Received sh. 30,000 from the cashier
- 20 Paid Mr. Otieno sh.10, 000 for travelling expenses.
- 22 Bought electric light bulbs sh. 2,000
- 25 Paid Lenanas' account on the purchase ledger sh. 2,500
- 26 Paid travelling expenses sh. 1,000
- 28 Paid for sugar, tea and milk sh. 3,000

Required:

Petty cash book to record the above transactions

(12marks)

(Total 20 marks)

Question three

- a.) Briefly explain why it is important for a business entity to prepare a bank reconciliation statement (8marks)
- b.) The following extract was obtained from the records of Smart Ltd for the month of October 2016

Cash Book			
	Sh.		Sh.
Receipts	2,938,000	Balance B/d	1,522,000
Balance C/d	<u>1,108,000</u>	Payments	<u>2,524,000</u>
	<u>4,046,000</u>		<u>4,046,000</u>

The balance as per the cash book above did not agree with the balance as per the bank statement. On investigation the following were discovered;

- i.) Bank charges amounting to sh. 272,000 entered in the bank statement had not been entered in to the cash book
- ii.) Cheques drawn amounting to sh. 534,000 had not been presented in the bank for payment
- iii.) Cheque totaling to sh. 1,524,000 had been entered in the cashbook and paid into the bank but had not been credited by the bank until May 2016
- iv.) A cheque for sh. 44,000 had been entered as receipt in the cashbook instead of payments
- v.) A cheque for sh. 50,000 had been debited by the bank by mistake
- vi.) A cheque for sh. 160,000 had been returned unpaid
- vii.) During the month dividends totaling to sh. 124,000 were credited by the bank and no entries had been made in the cashbook
- viii.) A cheque drawn for sh. 12,000 had been incorrectly entered as sh. 132,000 in the cash book
- ix.) The balance brought forward should have been sh. 1,422,000
- x.) The bank statement as at 30th April 2016 showed an overdraft of sh. 2,324,000

Required:

- a.) Adjusted cashbook (4marks)
 - b.) Bank reconciliation statement (8marks)
- (Total 20 marks)**

Question four

- a) Explain the meaning of the following terms as used in accounting and their treatment in the end of year adjustments
 - i) Accrued expense (2marks)
 - ii) Prepaid income (2marks)
 - iii) Carriage inwards (2marks)
 - iv) Return outwards (2marks)
 - v) Discount allowed (2marks)
 - b) Explain any three types of errors that affects the agreement of the trial balance (6marks)
 - c) Outline any four limitations of accounting (4marks)
- (Total 20 marks)**

Question five

The following trial balance was extracted from the books of Rosefaith a sole trader Based in Nakuru for the year ending 31.10.2016

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	Dr.	Cr.
Buildings	280,000	
Equipment	140,000	
Provision for depreciation: Buildings		8,400
: Equipment		35,000
Purchases & sales	770,000	1,184,000
Discounts	28,000	3,800
Returns	34,800	35,200
Salaries & Wages	86,800	
Debtors & Creditors	31,600	57,000
Bank overdraft		5,800
Cash in hand	10,400	
Drawing & Capital	35,900	61,340
General expenses	22,800	
Provision for bad debts		400
Loan		<u>40,000</u>
	<u>1,430,940</u>	<u>1,430,940</u>

Additional information:

- i. Closing stock was valued at sh.43,200
- ii. Accrued salaries and wages sh. 8,200
- iii. General expense include a prepayment for rates of sh. 2,000
- iv. Provision for bad debts is to be increased to sh. 560
- v. Depreciation was to be provided using reducing balance method
 - Building 12% p.a
 - Equipment 15% p.a
- vi. Loan interest of sh. 4,000 is outstanding

Required:

- a) Income statement for the year ending 31.10.2016 (12marks)
- b) Statement of Financial Position as at 31.10 2016 (8marks)

(Total 20 marks)