



(The University of Choice)

**MASINDEMULIROUNIVERSITY OF
SCIENCE AND TECHNOLOGY
(MMUST)
KISUMU CAMPUS**

**EXAMINATIONS
2015/2016 ACADEMIC YEAR**

FIRST YEAR FIRST SEMESTER EXAMINATIONS

**FOR CERTIFICATE
IN
IN BUSINESS MANAGEMENT**

COURSE CODE: CIB 101

COURSE TITLE: FUNDAMENTALS OF ACCOUNTING

DATE: JUNE 2016 TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Answer question One and any other Two questions

QUESTION ONE

Joseph Olocho has been running a wholesale business for several years in Siaya town.

His trial balance obtained from business books at December 31 2012 is as follows.

Joseph Olocho

Trial balance as at 31 Dec 2012

	Dr Ksh	Cr Ksh
Sales		550,000
Purchases	320,000	
Electricity Bills	18,000	
Rent for Store	23,000	
Wages for workers	52,000	
General Expenses	7,000	
Carriage Inwards	10,000	
Discount Allowance	3,000	
Discount Received		10,000
Return Inwards	2,000	
Return Outwards		5,000
Business Premises	100,000	
Fixtures & Fittings	62,000	
Debtors	150,000	
Creditors		80,000
Bank	11,000	
Cash	5,000	
Drawings	80,000	
Capital		223,000
Stock (as at 1 st Jan 2012)	25,000	
	868,000	868,000

Closing stock as at 31/12/2012 was ksh 45,000/=

Prepare a Trading, Profit and Loss Account for the year ended December 31, 2012 and the balance sheet as at that date (30mks)

QUESTION TWO

(A) State four external users accounting information and briefly explain the kind of information they are interested in (8 mks)

(B) Explain the following terms as used in accounting:

- (i) Accounting cycle (3mks)
- (ii) Trial balance (3mks)
- (iii) Dual aspect concept (3mks)
- (iv) Cost concept (3mks)

QUESTION THREE

- (A) Clearly distinguish between trade discount and cash discount, explaining how they are accounted for (6mks)
- (B) Describe four books of original entry that may be used by traders who buy and sell goods on credit (8mks)
- (C) Mention and explain three of the internal users of accounts and their accounting information needs (6mks)

QUESTION FOUR

(A) The following trial balance had been prepared wrongly, you are asked to prepare the trial balance correctly.

Details	Dr	Cr
Capital	22,000	
Stock		10,000
Debtors	8,000	
Creditors		12,000
Machinery		20,000
Cash in hand		2,000
Bank Overdraft	14,000	
Sales Returns		8,000
Purchases Returns	4,000	
Miscellaneous Expenses	12,000	
Sales		44,000
Purchases	26,000	
Wages	10,000	
Salaries		12,000
Bills Payable	10,800	
Prepaid Insurance		200
Outstanding Salaries	1,400	

(12mks)

- (B) Describe and explain the following errors in relationship with the trial balance and their effect on the trial balance.
- (i) Errors of omission (2mks)

- (ii) Errors of principle (2mks)
- (iii) Errors of commission (2mks)
- (iv) Errors of compensation (2mks)

QUESTION 5

Peter Odoyo has been in business for several years without keeping proper records and he now decides to keep a double entry set of books. On January, 1st 2012, he established that his assets and liabilities were as follows:

Assets	Kshs	Liabilities	Kshs
Pick –up	168,000	Creditors:	
Furniture & Fixtures	140,000	B.Kipchumba	25,800
Stock	78,000	R.Auma	8,200
Debtors: F. Odinga	19,000		
E. Atieno	9,000		
Bank	16,000		
Cash	4,000		

Required

- (a) Write up the General Journal to record the opening entries (6mks)
 - (b) Post the opening entries to the T-accounts in the relevant ledgers (14 mks)
- (Total: 20 mks)