



*(University of Choice)*

**MASINDE MULIRO UNIVERSITY OF  
SCIENCE AND TECHNOLOGY  
KISUMU CITY CAMPUS**

**UNIVERSITY EXAMINATIONS  
2016/2017 ACADEMIC YEAR**

**THIRD YEAR SECOND SEMESTER EXAMINATIONS  
FOR THE CERTIFICATE  
IN  
BUSINESS MANAGEMENT**

**COURSE CODE: CBB 102**

**COURSE TITLE: FUNDAMENTALS OF ACCOUNTING**

**DATE: MARCH, 2018**

**TIME: 2 HOURS**

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**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

|                                        | <b>Dr</b><br>Ksh | <b>Cr</b><br>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 <sup>st</sup> 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, 1<sup>st</sup> 2012, he established that his assets and liabilities were as follows:

| <b>Assets</b>        |             | <b>Liabilities</b> |             |
|----------------------|-------------|--------------------|-------------|
|                      | <b>Kshs</b> |                    | <b>Kshs</b> |
| 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)

