



(University of Choice)

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
(MMUST)**

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

**SPECIAL/SUPPLEMENTARY EXAMINATION
SCHOOL OF COMPUTING AND INFORMATICS
FOR THE DEGREE**

OF

**BACHELOR OF INFORMATION TECHNOLOGY AND BACHELOR OF
INFORMATION SYSTEMS AND KNOWLEDGE MANAGEMENT**

COURSE CODE: BIT121/BIK 125

COURSE TITLE: PRINCIPLES OF ACCOUNTING

DATE: 28/07/2022

TIME: 11.00AM-1.00PM

INSTRUCTIONS TO CANDIDATES

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

TIME: 2 Hours

QUESTION ONE COMPULSORY 30 marks

- a) Explain the meaning of the following accounting concepts and principles. (10 Marks)
- i. Going Concern
 - ii. Entity
 - iii. Consistency
 - iv. Matching
 - v. Conservatism
- b) Kisumu Traders in account with A to Z Ltd had the following transactions in the month of January 2018. Prepare a statement of account that Kakamega Traders would keep, indicating any outstanding balance at the end of the transaction period.(8 Marks)

Jan 2: Balance brought forward Shs. 5,500 (Dr).

Jan 6: Goods supplied worth Shs. 3,000, Invoice No. 1170.

Jan 10: Cash received from A to Z Shs. 5,000.

Jan 12: Goods returned valued at Shs. 500, Credit Note No. 1201.

Jan 15: Goods supplied worth Shs. 2,000, Invoice No. 1190.

Jan 20: Returned goods worth Shs. 300, Credit Note No. 1210.

Jan 25: Received Cheque (0121) for Shs.1,500 from A to Z.

Jan 30: Supplied goods worth Shs. 1,000, Invoice No. 1200

- c) What do you understand by the following terms used in accounting process ? (8marks)
- i) Bank reconciliation
 - ii) Final Accounts
 - iii) Source Documents
 - iv) Balance sheet equation
- d) Whys should every business concern keep financial records and which specific information should be kept? (4marks)

QUESTION TWO 20 marks

- a) Show the following entries as they would appear in a three-column cash book.(12 marks)
- 1 May:** Credit balance (on bank statement) at bank Shs. 7,000
Cash In Hand Shs. 500.
Cash drawn from bank for the till Shs. 300.

- 1 May:** Cheque sent to Brown for Shs. 670 in settlement of amount due of Shs. 700, discount being received for prompt payment.
- 2 May:** Received cheque from Jones for Shs. 450 in payment of invoiced amount of Shs. 470.
- 3 May:** Cash sales for the day Shs. 1,900
- 4 May:** Banked cash sales of previous day Shs. 1,900
- 5 May:** Sent cheque to Towett Shs.100, being instalment due on loan repayment.
- 6 May:** Took Shs. 100 from till for transport

b) Match the following transaction type with their respective source documents.(8 Marks)

Transaction Type.	Source Document.
(a) Cash Sale	_____
(b) Cash Payment	_____
(c) Credit Sale	_____
(d) Credit Purchase	_____
(e) Cheque Payment	_____
(f) Overbilled Invoice Received	_____
(g) Under billed Invoice Issued	_____
(h) Received Cheque	_____

QUESTION THREE 20 Marks

- a) Post the following transactions in the relevant journals and ledgers maintained by KK Traders. **(10 marks)**

March 5: Bought goods on credit from Tom, worth Shs. 10,000. Invoice No. 1012 received.

March 10: Purchased goods on credit from Susan, valued at Shs. 6,000. Invoice No. 1015 received.

March 12: Sold goods worth Shs.3, 000 to Kim and issued invoice No 9052.

March 15: Kim returned goods valued at Shs.500; note Number 1018).

March 20: Goods returned to Tom were valued at Shs. 2,000; Note number 0814.

March 24: Kim bought goods worth Shs.1, 500 on credit; Invoice issued 2010).

March 26: KK Traders bought a distribution van valued at Shs. 5,000 from General Motors.

(b) Extract a trial balance after closing the ledger accounts in (a) above. **(6 Marks)**

c) Which types of errors are not revealed by a trial balance? **(4 marks)**

QUESTION FOUR 20 marks)

a) The following Trial Balance was extracted from the books of Tim General Stores as at 31st December 2020.

	Shs.	Shs.
Sales		105,560
Purchases	71,224	
Discounts Allowed and Received	1,206	684
Carriage	2,588	
Drawings	431	
Rent, Rates and Insurance	5,973	
Postage and Stationery	1,213	
Advertising	1,852	
Salaries and Wages	13,076	
Bad Debts	1,234	
Debtors	13,170	
Creditors		11,640
Cash In Hand	312	
Cash At Bank	3,054	
Stock as at 1 st January	7,154	
Equipment (Cost)	<u>48,700</u>	
Accumulated Depreciation		21,650
Capital		<u>31,653</u>
	<u>171,187</u>	<u>171,187</u>

The following additional information as at 31st December 2010 is also available.

1. Shs. 588 of the carriage represents Carriage Inwards on purchase.

2. Equipment is to be depreciated at 10 Percent per annum, using the straight line method.
3. Rates have been pre-paid by Shs. 213.
4. Advertising is accrued by Shs. 177.
5. Salaries and Wages include the Shs.5, 500 which was paid on a weekly basis to Tim.
6. Stock at closing of business was valued at Shs. 8,221.

Required:

Prepare a Trading and Profit and Loss account for the year ended 31st December 2010, and a balance sheet as at that date.

(20 Marks)