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CERTIFICATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

CERTIFICATE IN MANAGEMENT AND LEADERSHIP/ CERTIFICATE IN SUPPLY  
CHAIN MANAGEMENT

CML 102/CSM 102:            FOUNDATIONS OF ACCOUNTING

DATE:                                7<sup>TH</sup> DECEMBER 2020

DURATION:            2 HOURS

MAXIMUM MARKS:    70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **FOUR** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **10 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

**QUESTION ONE**

The following trial balance was extracted from the books of Mr. Kemboi, a sole trader, as at 31 December 2017.

	Dr (\$)	Cr (\$)
Capital		25,000
Stock 01.01.17	2,500	
Plant & machinery (Cost)	25,000	
Motor vehicles (Cost)	8,000	
Provision for depreciation of plant & machinery		2,000
Provision for depreciation of motor vehicles		1,600
Purchases	36,000	
Sales		60,000
Sales returns	4,000	
Purchases returns		2,000
Wages & salaries	6,000	
Discount allowed	500	
Discount received		400
Carriage inwards	250	
Carriage outwards	300	
Postage and telephone	750	
Water & electricity	860	
Bad debts written off	150	
Provision for doubtful debts		100
General expenses	850	
Rent and rates	1,500	
Debtors	5,500	
Creditors		4,660
Cash in hand	600	
Cash at bank	3,000	
	<b>95,760</b>	<b>95,760</b>

Additional information:

- i. Closing stock on 31.12.17 was valued at \$ 2,250
- ii. Depreciation charged at 10% & 20% annually on plant & machinery and motor vehicles respectively using straight line method
- iii. Outstanding rent was \$ 300 and prepaid rates \$100
- iv. Accrued electricity was \$60
- v. Provision for doubtful debts increased by \$30

**Required:**

- a) Explain three accounting conventions relevant to Mr. Kemboi's business (6 marks)
- b) Show how Mr. Kemboi's books of accounts are important to four parties of his business? (4 marks)
- c) Prepare Mr. Kemboi's trading, profit & loss account for the period ended 31.12.17. (10 Marks)
- d) Mr. Kemboi's balance sheet as at 31.12.17. (10 Marks)

**QUESTION TWO**

The following transactions relate to Ms. Kwamboka's business in the month of March 2020.

March 1 Balances brought forward:

Cash Shs 25,000

Bank Shs 74,000

Creditors: John Shs 15,000; Hillary Shs 30,000; Jackson Shs 14,000

Debtors: Sharon Shs 40,000; Ben Shs 30,000; Mathew Shs 32,000

March 2 Bought goods by cheque Shs 20,000

March 3 Sold goods in cash Shs 18,000

March 5 Banked cash Shs 20,000

March 6 Paid creditors by cheque less 3% discount

March 7 Debtors paid by cheque less 5% discount

March 10 Bought Office furniture by cheque Shs 30,000

March 15 Cash drawings Shs 5,000  
 March 30 Paid wages in cash Shs 10,000

**Required:**

- a) A balancing trial balance is a sign that books of accounts are well kept. Is this statement true or false? Justify your answer. **(2 Marks)**
- b) Prepare a three-column cash book for Ms. Kwamboka as at 31 March 2020. **(8 Marks)**

**QUESTION THREE**

While extracting the trial balance of A & B Ltd as at 31 December 2015, it was observed that the total debits exceeded the total credits by € 23,800. Investigations revealed the following errors:

- i. Sales had been overstated by € 1,500.
- ii. Returns outwards account had not been credited with an amount of € 6,132.
- iii. A payment by a debtor of € 15,000 by a direct bank transfer had not been entered in the debtors account.
- iv. A cash purchase of € 232 had been recorded in the cash book only.
- v. € 2,200 received from a debtor had been debited to his account.

**Required:**

- a) Giving examples, distinguish between source documents and books of prime entry. **(2 Marks)**
- b) Identify Journal entries to correct the above errors. **(5 Marks)**
- c) Prepare suspense account after the correction of errors. **(3 Marks)**

**QUESTION FOUR**

Below are records of Smart Enterprises as at 30<sup>th</sup> June 2019.

	Shs
Balances on 1 June 2019	
Creditors ledger	89,800 (credit)

	1,760	(debit)
Debtors ledger	182,460	(debit)
	4,220	(credit)
Transactions during the month of June 2019:		
Credit sales	735,100	
Credit purchases	362,700	
Allowances from suppliers	12,580	
Cheque Receipts from customers	547,400	
Discount received	22,100	
Cheques paid to creditors	308,260	
Contra settlements	60,920	
Bills of exchange receivable from customers	130,120	
Allowances to customers	34,400	
Customers dishonored cheques	9,780	
Cash received from customers	84,020	
Refunds to customers	1,060	
Discounts allowed	14,640	
Balances on 30 June 2019		
Purchases ledger	?	(credit)
	1,340	(debit)
Sales ledger	?	(debit)
	2,720	(credit)

### Required

- a) Sales ledger control account. **(5 Marks)**
- b) Purchases ledger account. **(5 Marks)**

### QUESTION FIVE

The whole of Scott's stock was stolen from his warehouse on the night of 31 August 2018. Sales and purchases journals went missing but sales and purchases ledgers were salvaged. The following facts are known:

- i. Stock was known at the last balance sheet on 31.03.18 to be £12,480

- ii. Debtors receipts during the period 1 April to 20 August 2018 amounted to £31,745. Debtors were £14,276 on 31.03.18 and £12,333 on 20.08.18.
- iii. Creditors payments during the period 01.04.18 – 20.08.18 amounted to £17,270. Creditors were £7,633 on 31.03.18 and £6,289 on 20.08.18.
- iv. The margin on sales has always been 25%.

**Required**

- a) State two purposes of control accounts. **(2 Marks)**
- b) Explain reasons for incomplete records? **(2 Marks)**
- c) Find the cost of goods stolen (closing stock) on 20.08.18. **(6 Marks)**

**QUESTION SIX**

- a) Explain why is it necessary to depreciate assets? **(4 Marks)**
- b) Explain what makes information in financial statements useful to its users.  
**(6 Marks)**