



UNIVERSITY OF EMBU

2018/2019 ACADEMIC YEAR

TRIMESTER EXAMINATIONS

**FIRST YEAR EXAMINATIONS FOR THE DIPLOMA IN INFORMATION
TECHNOLOGY**

SIT 072: FUNDAMENTALS OF ACCOUNTING

DATE: AUGUST 2, 2019

TIME: 8:30 – 10:30 AM

INSTRUCTIONS:

Answer Question One and any other TWO Questions

QUESTION ONE (30 MARKS)

- a) What do you understand by the term the generally accepted accounting principles. (3 marks)
- b) State any five users of financial statements and their information needs. (5 marks)
- c) The following information was extracted from the books of Mwangi Retailers as at 31st December 2017
- Capital as at 31/12/2017 sh 150,000
 - Net profit for the year ended 31/12/2017 sh 60,000
 - During the year Mwangi had used sh 30,000 from the business to prepare birthday party for his first born son.

Required

- Calculate capital as at 01/01/2017 (5 marks)
- d) Distinguish between capital and revenue expenditure (4 marks)
- e) The books of accounts for Matope wholesalers revealed the following information as at 30th June 2018
- Stock amounted to sh 30,000



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- Office equipment was valued at sh 80,000
- Cash at bank amounted to 100,000
- Creditors were ksh 40,000
- Capital was ksh 100,000

Required

- i) Calculate long term liabilities of Matope wholesalers as at 30th June 2018 (5 marks)
- f) Discuss any five errors which cannot be revealed by the trial balance (5 marks)
- g) Explain any three uses of sales ledger (3 marks)

QUESTION TWO (20 MARKS)

The following trial balance was extracted from the books of Karumaindo Traders for the year ended 31st March 2019.

**KARUMAINDO
TRIAL BALANCE
31ST MARCH 2019**

	Dr Sh	Cr Sh
Capital		350,000
Sales		400,000
Purchases	150,000	
Discount received		15,000
Discount allowed	10,000	
Carriage on sales	10,000	
Carriage inwards	25,000	
Motor vehicle	300,000	
Creditors		120,000
Debtors	190,000	
Cash at bank	50,000	
AFC loan (5years)		400,000
Land	250,000	
Salaries and wages	100,000	
Insurance	40,000	
Advertisement	20,000	
Drawings	30,000	
Stock 1.4.2018	50,000	
Stock 31.3.2019	60,000	
	1,285,000	1,285,000



Required

- a) Trading profit and loss account for the year ended 31/3/2019 (12 marks)
b) Balance sheet as at 31/03/2019 (8 marks)

QUESTION THREE (20 MARKS)

The following information was obtained from the book of Madogo Ltd.

Invoices received from

- Kennedy Ltd invoice no. 132 of sh 150,000 dated 12th January 2018.
- Magongo wholesalers invoice no. 95 of sh 200,000 dated 20th January 2019.

Invoice sent to

- Wamalika Retailers invoice no 102 of ksh 350,000 dated 15th January 2018.
- Monoi Traders invoice no. 102 of ksh 250,000 dated 25th January 2019.

Credit noted sent to

- Wamalika retailers credit note number 008 of ksh 40,00 dated 18th January 2019
- Manoi Traders credit note no. 009 of ksh 20,000 dated 28th January 2019.

Required

- a) Relevant Day books (6 marks)
b) Relevant ledger accounts (10 marks)
c) Trial balance as at 31/01/2019 (4 marks)

QUESTION FOUR (20 MARKS)

- a) The trial balance for Makami Limited as at 31/2/2018 revealed a difference of sh 15000. The debit side totaled sh 325000 while the credit side totaled to sh 310000. On inspection the following errors were revealed.
- i) Purchases account was erroneously understated with sh 2000.
 - ii) Discount received was overstated erroneously with sh 4000
 - iii) Sales account was understated with sh 2500
 - iv) Rent paid of sh 2100 was recorded as sh 1200 in rent account.
 - v) Carriage outwards of sh 1000 paid by cash was completely omitted in the books of account.



- vi) A receipt of Ksh 2500 by cheque from Njeri, a debtor was recorded in the Account of Njeru, a debtor.
- vii) A purchase of office equipment of Ksh 3500 by cheque was recorded as sh 5300 in the equipment account.
- viii) Commission income of Ksh 5400 received by cheque was recorded in commission expense account.

Required

Use general journal to correct the above errors

(8 marks)

- b) The following information was extracted from the books of Kamene traders on 1st July 2018 cash and bank balances were sh 14000 and sh 52000 respectively.

2nd July 2018 paid rent by cash sh 5000

3rd July 2018 sold goods by cash sh 10000

4th July 2018 received a cheque of sh 20000 from Rukunga, a debtor

5th July Bought goods sh 20,000 on credit from Makambi Traders

6th July 2018 converted house hold furniture worth sh 30,000 for business use.

6th July 2018 sold goods worth Ksh 50000 to Njoroge on credit.

7th July 2019 withdrew Ksh 24000 from bank for office use.

8th July paid Makembi a creditor sh 18000 by cheque after deducting 10% cash discount

9th July 2019 Received ksh 42500 by from Njoroge, a debtor after 15% cash discount

10th July 2018 used Ksh 15000 in cash from the business to prepare the birthday party for his first born son

11th July 2018 Banked all monies leaving a balance of Ksh 1000 in the cash till.

Required

Prepare three column cash book

(12 marks)

QUESTION FIVE (20 MARKS)

- a) Classify the following transactions into revenue and capital expenditure items.(10 marks)
- i) A purchase of a Motor vehicle of Ksh 400,000 by cheque.
 - ii) Payment salaries of Ksh 200000 by cheque.



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- iii) A purchase of stock of Ksh 120,000 on credit from Shah retailers
- iv) Renovation of the new office block for Ksh 40,000
- v) Receipt of rent income of Ksh 1500 by cash
- vi) Payment of ksh 12000 to casual workers for construction of washroom
- vii) Payment of ksh 5000 for milk used for staff tea.
- viii) A purchase of office equipment of Ksh 8000 by cash.
- ix) Payment of Ksh 5000 by cheque bill electricity.
- x) Purchase of material sh 60,000 for construction of gate for the business premises.

- c) Discuss the factors that cause changes in capital. (4 marks)
- d) The following information was extracted from the books of Komu Retailers for the year ended 30th June 2018

Mark up	33⅓%
Sales	sh 10,000
Average stock	sh 750

General expenses 10% of sales

Required

- i) Gross profit (2 marks)
- ii) Rate of stock turnover (2 marks)
- iii) Net profit (2 marks)

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