



(Knowledge for Development)

KIBABII UNIVERSITY (KIBU)

MAIN CAMPUS

**UNIVERSITY EXAMINATIONS
END OF SEMESTER EXAMINATION**

2021/2022 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER EXAMINATION

FOR THE DIPLOMA IN

(INFORMATION TECHNOLOGY)

COURSE CODE: DIT 070

COURSE TITLE: PRINCIPLES OF ACCOUNTING

DATE: 23/05/2022

TIME: 9.00 A.M. – 11.00 A.M.

2HRS

INSTRUCTIONS TO CANDIDATES:

ANSWER QUESTIONS ONE AND ANY OTHER TWO.

Paper Consists of 6 Printed Pages. Please Turn Over ►

QUESTION ONE [COMPULSORY] (24 MARKS)

Enter the following transactions of H-Lawrence who deal in electricity goods in his ledges accounts.

2002 Jan 1 cash in hand sh. 1250
Jan 1 cash at bank sh. 1240
Jan 2 bought goods from electricity ltd 8200
Jan 4 bought goods and paid by cheque 3300
Jan 7 sold good for cash sh. 1500
Jan 10 sold goods to s. William receive cheque 3800
Jan 15 paid expenses by cash 550
Jan 20 paid cash into bank 800
Jan 30. Paid wages to assistant by cheque 1000

Require:

- a. Prepare two column CB as at 31st Jan 2022.
(9mks)
- b. Summaries characteristics of no-tangible assets.
(4mks)
- c. Summaries contents of partnership agreement.
(5mks)
- d. Discuss the following types of journal.
(1mk)
- i. Sales journal
(1mk)
- ii. Purchase journal
(1mk)
- iii. Return inward journal
(1mk)
- iv. Return outward journal
(1mk)
- e. State and explain two types of uses of useful accounting information.
(2mks)

QUESTION TWO [18 MARKS]

Dan and Lucy are partners sharing profits and losses in the ratio of 3:2 respectively. The partnership agreement provides for Lucy to receive a salary of sh. 8 million per annum. Interest on capital is allowed at the rate of 5% per annum.

Their statement of financial position as at 31 July 2020 was as follows:

	COST	DEPRECIATION	NET BOOK VALUE
NON CURRENT ASSETS	SH. "000)	SH. "000)	SH. "000)
PREMISES	48,000	6,400	41,600
EQUIPMENT	16000	9,600	6,400
	64,000	16,000	48,000

CURRENT ASSETS

INVENTORY	11,200	
ACCOUNTS	4,400	
CASH	8,000	16,400
		64,400

CAPITAL AND LIABILITIES

CAPITAL DAN	ACCOUNTS:	32,000	
	LUCY	20,000	5200
CAPITAL DAN	ACCOUNTS:	6,400	
	LUCY	600	5,800

CURRENT LIABILITIES

ACCOUNTS PAYABLE	6,600
	64,400

Additional information.

- On 1 November 2020, Pendo was admitted to the partnership. The terms of her admission were as follows:
 - Interest on capital was raised from 5% per annum to 6% per annum for all partners.
 - Pendo introduced sh. 24 million in cash as capital into partnership.
 - Pendo received a salary of sh. 12 million per annum. Lucy's salary was raised to sh. 12 million per annum.
 - The profit sharing ratio for Dan, Lucy and Pendo was adjusted to 4:2:1 respectively.
- The profit for the year ended 31 July 2021 was 111,570,000.
- As at 31 July 2021, the working capital of the partnership was as follows:

	Sh. "000"
Inventory	25,110
Accounts receivable	7,00
Cash	17,260
Accounts payable and accuracies	6,960

- Partners; drawings for the year ended 31 July 2021 were as follows :

	Sh. "000"
Dan	51,410
Lucy	39,050
Pendo	16,500

5. The non-current assets are to be depreciated as follows:

Asset	Rate per annum
Premises	5% on cost
Equipment.	10 % on cost

Required:

- a. Statement of profit or loss and appropriation account for the year ended 31 July 2021. 5mks
- b. Partners current accounts. 4mks
- c. Statement of financial position as at 31 July 2021. 9mks

QUESTION THREE [18 MARKS]

Q3 On 31st Dec 2021, the following balance of bank as shown by the cash book was sh. 25370, whereas the bank statement showed a credit because of sh. 25,670 comparison of the cashbook with bank statement showed the following discrepancy.

1. Cheques not presented for payments sh. 12340
2. Cheques paid into bank but not credited by the bank sh. 12,160
3. Items shown in the bank statement but not yet entered in cash book.
 - Bank charges sh. 240
 - Standing orders sh. 460
 - Dividends collected by bank sh. 820

Required:

- a. Prepare adjusted CB as at 31st Dec 2021 (9mks)
- b. Prepare bank reconciliation statement as at 31st Dec 2021 (9mks)

QUESTION FOUR [18 MARKS]

The following trial balance was extracted from the books of Guru Ltd. On 31 December 2020:

	Sh. "000"	Sh. "1000"
Land	1,500	
Buildings at cost	8,000	
Plant and equipment at cost	9,200	
Investments (Interest rate 10% per annum)	4,500	
Accumulated depreciation (1 st January 2020):		
Building		3,480
Plant and equipment		2,150
Purchases and sales	5,500	12,920
Inventory (1 st January 2020)	390	
Bad debts written off	-235	
Distribution expenses	1,160	
Administrative expenses	2,410	
Inventory income		75
Ordinary share capital		6,000
Share Premium		550
Retained earnings		1,030
General reservation		2,405
6% debenture		4,000
Account receivable and accounts payable	2000	735
Allowance for doubtful debts		300
Debenture interest	120	
Bank and cash	580	
Dividends paid	1,050	
	33,645	33,645

1. Additional information as at 31st December 2020 was valued at Sh. 420, 500
2. Depreciation is to be charged as follows:
 - Buildings - 5% per annum on cost
 - Plant and equipment - 10% per annum on a reducing balance basis

3. The following were the balances as at 31st December 2020:
- Accrued distribution expenses Sh. 75,000
 - Prepaid administrative expenses Sh. 40,000
4. Allowance for doubtful debts is to be adjusted to 5% of the accounts receivable as 31st December 2020.
5. A half year debenture interest is outstanding
6. Investment income amounting to Sh. 75,000 was received during the year ending 31st December 2020. The balance of investment income was received in February, 2021.
7. The estimated income tax for the year is Sh. 925, 000
8. The management provided for a transfer of 200,500 to the general reserve.

Required:

- a. Prepare a statement of profit and loss for the year ended 31st December 2020. (10mks)
- b. Prepare a statement of financial position as at 31st December 2020. (8mks)

QUESTION FIVE [18 MARKS]

- a. Draw up a densification of accounts (8mks)
- b. Explain the following concepts. (10mks)
- i. *Going concern*
 - ii. *Acenial concept*
 - iii. *Duality*
 - iv. *Business entity*
 - v. *Subsistence over form*