



Strathmore
UNIVERSITY

BACHELOR OF SCIENCE IN SUPPLY CHAIN AND OPERATIONS MANAGEMENT
END OF SEMESTER EXAMINATION
SCM 1103: ACCOUNTING IN BUSINESS

DATE: Thursday, 15th October 2022

TIME: 2 Hours

Instructions:

Answer **QUESTION ONE** and any other **TWO** questions

QUESTION ONE

(a)The following is a trial Balance of Mr. Benard for the year ended 31/12/2021

	Dr	Cr
	Ksh. '000'	Ksh. '000'
Motor vehicles (at cost)	95,700	
Furniture (at cost)	44,800	
Purchases	336,800	
Sales		403,670
Inventory 1/1/21	3,320	
Discount	2,470	1,345
Carriage inwards	1,725	
Carriage outwards	1,130	
Provision for bad and doubtful debts		2370
Accounts receivable	32,800	
Accounts payable		11,930
Cash at Bank	27,105	
Rent	1,780	
Electricity and Water	2,240	

Telephone	2,780	
Motor vehicles expenses	2,490	
Bank Loan		9,605
Bad debts	4,120	
Returns	5,190	3,685
Salaries and Wages	1,260	
Drawing s	4,465	
Capital		137,570
	<u>570,175</u>	<u>570,175</u>

Additional information:

1. Inventory in at 31/12/21 amounted to Shs. 1,530,000
2. Salaries and wages in arrears amount Shs.111, 000 while rent and rates paid in advance is Shs.86,000.
 - i. Motor vehicles 12 % p.a on cost straight line method
 - ii. Furniture 10% p.a on cost straight line method
3. Provision for bad and doubtful debts is to be maintained at 5% of accounts receivable

Required to prepare

- (a) Statement of comprehensive income for the year ended 31/12/2021 **(10 marks)**
(b) statement of financial position as at 31/12/2021 **(6 marks)**

Q 1 Who is responsible for the preparation of the financial statements of a company?

1. The finance department
 2. The board of directors
 3. The external auditors
- A. 1 and 2 only
B. 1 only
C. 2 only
D. 1, 2 and 3

(1 mark)

Q2. Which of the following explains the imprest system of operating petty cash?

- A. All expenditure out of the petty cash must be properly authorised
- B. Weekly expenditure cannot exceed a set amount
- C. The exact amount of expenditure is reimbursed at intervals to maintain a fixed float
- D. Regular equal amounts of cash are transferred into petty cash at intervals **(1 mark)**

Q3. Which of the following are books of original entry?

- 1. Purchases day book
- 2. Cash book
- 3. Purchases invoice
- 4. Petty cash voucher

- A. 1 and 2 only
- B. 1, 2 and 4 only
- C. 1 and 3 only
- D. All of them

(2 marks)

Q4. Which of the following statements is/are true?

- 1. Accrued expenses are expenses which relate to the current accounting period but have not been paid for. They are shown in the statement of profit or loss for the current period in accordance with the accruals concept.
- 2. Prepaid expenses are expenses which have already been paid in the current period but relate to a future accounting period. They are shown in the statement of profit or loss for the current period in accordance with the timeliness concept.
- 3. Prepaid are recorded on the statement of financial position as current assets

- A. 1 only
- B. 2 only
- C. 1 and 3 only
- D. 1 and 2 only
- E. None of the above

(2 marks)

Q5. A sales invoice of Shs. 145,000 was not recorded in the books; this is an error of

- A. commission

- B. Principle
- C. Original entry
- D. Omission

(2 marks)

- (d) IASB Framework examines both Fundamental and Enhancing qualities of financial information that make it useful for decision-making. Explain the enhancing qualities of good accounting information. **(6 marks)**

QUESTION TWO

(a) The following information relate to the transactions and balances of Benjamin with his bank, HarvsesterBank for the Month of May 2021: Cash book balance on 31st May 2021 was Shs 802,600. On the same date, balance as per the bank statement was Shs. 970,100 The following differences were observed

- i) The bank had not yet credited a cheque of Shs. 178,000 deposited by the cashier on 31 may 2021
- ii) Bank had collected on behalf of Benjamin a dividend amounting to Shs. 56,000
- iii) A standing order to ICC insurance of Shs. 20,900 had been paid by the bank but not entered in the cashbook.
- iv) Cheques paid to suppliers but not presented for payment to bank amounted to Shs. 167,000
- v) A cheque of Shs. 83,000 from a customer had been dishonored.
- vi) Bank charges of Shs 16,200 had not been entered in the cash book.
- vii) Some of Benjamin's customers had settled their debts amounting to Shs. 242,600 by paying directly into his bank account. These receipts were not recorded in the cashbook.

Required to prepare:

- (i) Adjusted cash book as at 31 may 2021 **(6 marks)**
- (ii) Bank reconciliation statement as at 31 may 2021 **(4 marks)**

- (b) The users of financial statements are those groups identified as having reasonable right to the information and whose information needs should be recognized. Explain five groups interested in financial statement of a business enterprise. **(5 marks)**

QUESTION THREE

- (a) Rays Ltd, a books' manufacturer has several customers and suppliers. The following information was extracted from the books of the company for the month ended 30 June 2021.

Shs.

Credit Balance on 1 June 2021 - Sales ledger	417,000
Purchases ledger	526,000
Debit Balance on 1 June 2021: Sales ledger	1,320,000
Purchases ledger	251,000
Credit Balance on 30 June 2021: Sales ledger	513,000
Debit Balance on 30 June 2021: Purchases ledger	592,000
Credit Purchases	9,120,000
Credit sales	14,370,000
Cheque received from customers	4,860,000
Cash received from customers	1,980,000
Cheque payments to suppliers	1,420,000
Cash payments to suppliers	972,000
Returns inwards	445,000
Returns outwards	172,000
Discounts Received	211,000
Discounts Allowed	134,000
Bad debts written off	316,000
Contra entry to receivables ledger from payable ledger	288,000
Refunds to customers	311,000
Dishonoured cheques from customers	117,000

Required

- (i) Prepare a receivables control account **(6 marks)**
- (ii) Prepare a payable control account **(5 marks)**
- (b) Explain four reasons why a company provides for depreciation of its non-current assets. **(4 marks)**

QUESTION FOUR

(a) Assume that you are the Accountant of Joy land wholesalers a sole proprietorship business. In preparing the accounts of the business you are faced with the following problems:

- i. Some goods worth Shs.230,000 have been sold on credit -
- ii. The long-term future success of the company is extremely uncertain due to the changes in the business environment.

Explain which accounting principle you would consider in dealing with each of the above problems **(4 marks)**

(b) Mr. Roy started a Retail Shop dealing Plastic Utensils with Shs. 1,492,000 cash on June 2022. During June she carried out the following transactions: -

- 1st June Deposited Shs. 918,000 in a bank account.
- 2nd June Bought goods worth Shs 644,000 cash
- 3rd June Sold goods for Shs. 853,000 cash
- 9th June Paid Insurance Shs. 92,000 cash
- 10th June bought goods on credit worth Shs. 265,000 from Jay
- 15th June sold goods on credit worth Shs. 419,000 to Joseph
- 18th June Received a cheque of Shs.. 210,200 from Joseph
- 19th June Paid Jay a supplier for Shs. 112,000 cash

Required

- (i) Record the transactions in the relevant ledger accounts and balance off the accounts **(9 marks)**
- (ii) Extract a trial balance **(2 marks)**

QUESTION FIVE

(a) Distinguish between the following

(i) Bad debts and provision for bad and doubtful debts **(3 marks)**

(ii) A two column cash book and a three column cash book **(2 marks)**

JJ traders bought a Machine in Jan 2018 for Sh 500,000. The policy of the company is to depreciate motor vehicles at a rate of 25% using straight line method. The machine was sold in March 2021 at a cash price of Sh 180,000 (full depreciation is charged on the year of acquisition and non on the year of disposal) Show the entries of year 2018, 2019, 2020 and 2021 of

(i) Machine depreciation expense account **(3 marks)**

(ii) Accumulated depreciation **(4 marks)**

(iii) Disposal account **(3 marks)**