



**STRATHMORE UNIVERSITY BUSINESS SCHOOL**  
**BACHELOR OF COMMERCE**  
**END OF SEMESTER EXAMINATION**  
**BCM 1101/BFS 1102/CSM 1103: ACCOUNTING IN BUSINESS 1**

**Date:** Tuesday, 13th December 2022

**Time:** 2 Hours

**Instructions**

- Answer **Question One** and Any Other Two Questions
- Do not write on the Question paper

**QUESTION ONE** **COMPULSORY** **{TOTAL 30 MARKS}**

The following trial balance was extracted from the books of Clinton who operate a sole-proprietor for the year ending 30<sup>th</sup> June 2022.

	<b>Dr</b>	<b>Cr</b>
	<b>shs'000'</b>	<b>shs'000'</b>
Sales		713,625
Purchases	411,000	
Inventory as at 1 July 2021	108,250	
Carriage inwards	2,625	
Carriage outwards	4,400	
Returns	5,875	4,225
Wages	118,750	
Insurance	8,000	
Advertising	5,125	
Motor expenses	2,400	
Capital		724,775
Drawings	29,000	
Premises	390,000	
Equipment	83,500	
Motor vehicles	196,250	
Account receivables	81,625	
Account payables		71,900
Cash at Bank	39,000	
Cash on hand	18,625	
Sundries expenses	10,100	
	<u><b>1,514,525</b></u>	<u><b>1,514,525</b></u>

**Additional information:**

(a) Depreciation on properties is to be charged as follows:

- Premises at 2% on cost
- Motor vehicles at 25% using the straight-line method
- Equipment at 10% using reducing balance method

(b) The insurance shown in the trial balance represent the amount that was paid during the year. During the year ending 30<sup>th</sup> June 2022 insurance that was prepaid amount to shs. 2,000,000.

(c) Amount owing for wages during the year ending 30<sup>th</sup> June 2022 amount to shs. 4,000,000.

(d) Inventory at the close of business was valued at shs. 142,250,000

**Required: Prepare the following statements:**

a) The statement of profit or loss for the year ending 30<sup>th</sup> June 2022

**(15 Marks)**

b) The statement of financial position as at 30<sup>th</sup> June 2022

**(15 Marks)**

**QUESTION TWO****{TOTAL 20 MARKS}**

Abdi, Peter and Jane are partners sharing Profit and losses in the ratio 3:1:1 after interest on capital at 10% and salaries to Peter and Jane of 300,000 each. Interest on drawing is charged at 5%p.a. Their trial balance for period ended 31/12/21 is as follows.

	<u>Dr</u> Shs	<u>Cr</u> Shs
<i>Capital accounts:</i>		
Abdi		3,000,000
Peter		2,000,000
Jane		1,500,000
Sales and purchases	6,000,000	10,000,000
Debtors and creditors	2,000,000	800,000
Returns	400,000	200,000
Discounts	200,000	300,000
Office expenses	1,000,000	
<i>Current accounts:</i>		
Abdi		500,000
Peter		400,000
Jane	200,000	
General expenses	1,200,000	
Bad debts	200,000	
Provision for bad & doubtful		
Debts	200,000	
Rent and rates	200,000	
Salaries and wages	500,000	
Land & building	4,000,000	
Plant & machinery	3,000,000	
Motor vehicles	3,000,000	
<i>Depreciation:</i>		
Land & Buildings		1,000,000
Plant & machinery		1,500,000
Motors vehicle		500,000
	<u>21,190,000</u>	<u>21,190,000</u>

**Additional information**

1. Inventory as at 31/12/21 amount to Ksh. 1,000,000
2. Provision for bad and doubtful debt maintained at 10% of debtors
3. General expenses amounting Ksh. 200,000 were in arrears while rent and rates Ksh. 100,000 are in advance.
4. Depreciation is charged as follows:
  - a) Land and buildings 10% on cost
  - b) Plant and machinery 20% on reducing balance
  - c) Motor vehicles 15% on cost

**Required: Prepare the;**

- a) Statement of profit or loss for year ended 31/12/21 **(8 Marks)**
- b) Profit and Loss Appropriation account for year ended 31/12/21 **(2 Marks)**
- c) Statement of financial position as at 31<sup>st</sup> December 2021 **(10 Marks)**

**QUESTION THREE****{TOTAL 20 MARKS}**

- a) You are the Chief Finance Officer of Bombolulu Ltd you recently hire some interns to assist you with bookkeeping. One of the interns approaches you and asks the meaning of the following accounting concepts. Explain using examples.

- i. The 'Going concern' **(2 Marks)**
- ii. The 'Prudence concept' **(2 Marks)**
- iii. The 'Materiality concept' **(2 Marks)**

- iv. The 'Accrual concept' (2 Marks)
- v. The 'Consistency concept' (2 Marks)
- b) At 31 December 2022, the debtor's figure after deducting bad debts was Ksh 1,000,000. It is estimated that 2 per cent of debts (i.e. Ksh 200) will eventually prove to be bad debts, and it is decided to make a provision for these.

**Required:**

- i. Prepare a statement of profit or loss extract. (4 Marks)
- ii. Prepare the provision for bad debts account. (2 Marks)
- iii. Prepare the statement of financial position extract. (4 Marks)

**QUESTION FOUR**

**{TOTAL 20 MARKS}**

On 31 October 2022, the cashbook of Nadhifu Ltd. showed a debit balance of Sh.1,710,000. This did not agree with the balance shown in the bank statement. Upon investigation, the accountant discovered the following errors:

1. A cheque paid to Salama for Sh.306,000 had been entered in the cashbook as Sh.387,000
2. Cash paid into the bank by a customer for Sh.90,000 had been entered in the cashbook as Sh.81,000
3. A transfer of Sh.1,110,000 to Central Savings Bank had not been posted to the cash book.
4. A receipt of Sh.9,000 shown in the bank statement had not been posted in the cashbook.
5. Cheques drawn amounting to Sh.360,000 had not been paid into the bank.
6. The cash book balance had been incorrectly brought down at 1 November 2020 as a debit balance of Sh.1,080,000 instead of a debit balance of Sh.990,000
7. Bank charges of Sh.18,000 do not appear in the cash book.
8. A receipt of Sh.810,000 paid into the bank on 31 October 2021 appeared in the bank statement on 1 November 2010.
9. A standing order of Sh.27,000 had not been recorded in the cash book.
10. A cheque for Sh.45,000 previously received and paid into the bank had been returned by the customer's bank marked "account closed".
11. The bank received a direct debit of Sh.90,000 from an anonymous customer.
12. Cheques banked had been totaled at Sh.135,000 instead of Sh.153,000.
13. A cheque drawn in favour of Ngaruiya for Sh.120,000 had been entered on the debit side of the cashbook.

**Required;**

- a) Adjusted cash book as at 31 October 2022. (15 Marks)
- b) A bank reconciliation statement as at 31 October 2022. (5 Marks)