



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS** **[ JANUARY - APRIL 2020 SEMESTER ]**

### **[ CERTIFICATE IN ACCOUNTING ]**

**COURSE CODE: CIAC 001**

**COURSE TITLE: FUNDAMENTALS OF ACCOUNTING**

**DATE:** [            ]

**TIME:** [            ]

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#### **INSTRUCTIONS TO CANDIDATES**

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

**CAUTION:** *All exam rooms are under CCTV surveillance during the examination period.*

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## SECTION A: COMPULSORY

### Question One

The following information was obtained from the books of Vankar Ltd on the 31<sup>st</sup> December 2020, that being the last day of the company's financial year

	Kshs	Kshs
Accounts receivable	74,170	
Inventory	41,370	
Sales		765,920
Cash in hand	2,500	
Bank balance	171,224	
Purchases	399,950	
Share capital		100,000
Bank loan		274,250
Accounts payable		98,825
Retained earnings		121,473
Machinery & Equipment	439,220	
Insurance	84,240	
Interest expense	18,415	
Rent	375,000	
Provision for depreciation		<u>245,621</u>
TOTAL	<u>1,606,089</u>	<u>1,606,089</u>

### Other information

Inventory at close was Ksh 90,555. The insurance was paid for a full year starting on 1<sup>st</sup> September 2020. Rent was prepaid up to the 1<sup>st</sup> quarter of the following year. Depreciation on machinery and equipment is at 20% computed on a reducing balance basis.

Required

- (a) Income statement for year ended 31<sup>st</sup> December 2020 (20 Marks)
- (b) A statement of the financial position as at 31<sup>st</sup> December 2020 (20 Marks)

## SECTION B: ANSWER ANY THREE QUESTIONS

### Question Two

Define the following terms with respect to the preparation and presentation of financial statements;

- i. Reliability, verifiable and objectivity of financial information [12 marks]
- ii. Consistency [4 marks]
- iii. Comparability [ 4 marks]

### Question Three

Highlight the users of financial accounting statements clearly indicating the information needs of each user group [20 marks]

### Question Four

The proprietor of VanVir Agencies has extracted the following information from his accounting records for the financial year ended 31<sup>st</sup> December 2020

Cash in bank	75,000
Office supplies	8,550
Accounts payable	47,850
Loan payable	12,250
Accounts receivable	33,895

Required

- (a) Prepare a simplified Statement of financial position/ Balance sheet [10 marks]
- (b) Explain the following terms as used in a cashflow statement
  - i. Operating activities [4 marks]
  - ii. Investing activities [ 3 marks]
  - iii. Financing activities [ 3 marks]

*Note: Capital = Assets + Liabilities*

### [Question five

Mr Kray Operates a small hardware shop in the outskirts of the city. During the month of February 2021 his transactions were as follows;

2<sup>nd</sup> February Borrowed Kshs 100,000 from his friend Kihumba to finance the business

3<sup>rd</sup> February Imara distributors supplied him with 50 bags of cement at Kshs 500 per bag on credit  
3<sup>rd</sup> February bought other inventories for Kshs 93,715 in cash  
7<sup>th</sup> February paid Imara distributors Ksh 15,000 on account  
10<sup>th</sup> February sold goods for Ksh 8,854  
13<sup>th</sup> February Paid rent for business premises Ksh 7,000 in cash  
15<sup>th</sup> February bought inventory in cash Kshs 13,500  
15<sup>th</sup> February made cash sales of Kshs 33,175  
16<sup>th</sup> February sold kshs 11,050 on credit to Madam Crux  
17<sup>th</sup> February paid for trade licence Ksh 8,000  
20<sup>th</sup> February made cash sales of kshs 44,180  
20<sup>th</sup> February Imara distributors supplied goods on credit for Kshs 34,000  
22<sup>nd</sup> February paid Imara distributors Kshs 25,000 on account  
22<sup>nd</sup> February made cash sales of Kshs 19,000  
23<sup>rd</sup> February Credit sales to Madam Crux amounting to Kshs 5,750  
25<sup>th</sup> February Madam Crux paid on account Ksh 11,050  
26<sup>th</sup> February paid transport charges Ksh 500 incash  
27<sup>th</sup> February sold goods for cash amounting to Kshs 38,555  
28<sup>th</sup> February sold goods for cash amounting to Kshs 41,415  
28<sup>th</sup> February made credit sales to madam Crux Kshs 15,000  
28<sup>th</sup> February Received Kshs 24,000 from Madam Crux on account

Required

- (a) Journal entries to record the above transaction [10 marks]
- (b) Prepare T ledger accounts and post the above transactions and clearly show the account closing balances. [10 marks]