



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS MAY-AUGUST 2023 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.*

## SECTION A: COMPULSORY

### Question One

Madam Lewa started a Boutique business on 1<sup>st</sup> January 2023 injecting Ksh, 100,000 into the business as Capital. On the 30<sup>th</sup> day of June 2023 after being, she extracted the following information from her accounting record books for the six Months she was in business.

	Kshs	Kshs
Trade debtors	74,170	
Sales		1,133,014
Cash in hand	43,870	
Bank balance	171,224	
Purchases	399,950	
Share capital		100,000
Bank loan		274,250
Trade creditors		98,825
Machinery & Equipment	439,220	
Insurance	84,240	
Interest expense	18,415	
Rent	375,000	
TOTAL	<u>1,606,089</u>	<u>1,606,089</u>

Prepare

- (a) Profit and loss statement for six months to 30<sup>th</sup> June 2023 {15 Marks}
- (b) Determine Madam Lewa's closing capital on 30<sup>th</sup> June 2023 {10 Marks}
- (c) A statement of the financial position as at 30<sup>th</sup> June 2023 {15 Marks}

## SECTION B: ANSWER ANY THREE QUESTIONS

### Question Two

Accounting information is expected to possess certain characteristics. Define the following terms with respect characteristics of financial statements;

- i. Reliability [5 marks]

- ii. Verifiability [5 marks]
- iii. Consistency [5 marks]
- iv. Comparability [5 marks]

### Question Three

Describe the financial information needs of the following users of financial information

- a) Potential investors [5 marks]
- b) Government [5 marks]
- c) Employees [5 marks]
- d) Business owners [5 marks]

### Question Four

The proprietor of KLM Agencies provided you with the following information regarding his business transactions for the month June 2023.

Opening balances;

Cash hand	1,700
Cash in bank	125,225

Other transactions during the month were as follows:

- 1<sup>st</sup> June; Bought office supplies in cash 1,500
- 3<sup>rd</sup> June; Paid creditors by cheque 5,500
- 5<sup>th</sup> June; Paid Rent by cheque 7,500
- 9<sup>th</sup> June; Received cash from a debtor 10,000
- 16<sup>th</sup> June; Bought computer & accessories by cheque 35,000
- 20<sup>th</sup> June; Bought stock from K. Ltd worth Ksh 100,000 paying Ksh 7,000 in cash and wrote a cheque for the balance
- 21<sup>st</sup> June: withdrew Ksh 18,500 from bank
- 23<sup>rd</sup> June: paid wages in cash 8,500
- 24<sup>th</sup> June: Bought office furniture in cash 4,300
- 28<sup>th</sup> June: withdrew K.sh 17,500 from bank
- 29<sup>th</sup> June: Bought a used motor cycle for Ksh 23,500 from a friend

Required

- (a) Open a cash book and record the above transactions {10 marks}
- (b) Compute the cash and bank balances at the close of the month {10 Marks}

**Question five**

Mr Kleen Operates a small hardware shop in the outskirts of the city. During the month of May 2023 his transactions were as follows;

- 2<sup>nd</sup> May Borrowed Kshs 100,000 from his friend Jacky to finance the business
- 3<sup>rd</sup> May Imara distributors supplied him with 50 bags of cement at Kshs 500 per bag on credit
- 3<sup>rd</sup> May Bought other inventories for Kshs 93,715 in cash
- 7<sup>th</sup> May Paid Imara distributors Ksh 15,000 on account
- 10<sup>th</sup> May Sold goods for Ksh 8,854
- 13<sup>th</sup> May Paid rent for business premises Ksh 7,000 in cash
- 15<sup>th</sup> May bought inventory in cash Kshs 13,500
- 15<sup>th</sup> May made cash sales of Kshs 33,175
- 16<sup>th</sup> May sold kshs 11,050 on credit to Madam Crux
- 17<sup>th</sup> May paid for trade licence Ksh 8,000
- 20<sup>th</sup> May cash sales of kshs 44,180
- 20<sup>th</sup> May Imara distributors supplied goods on credit for Kshs 34,000
- 22<sup>nd</sup> May paid Imara distributors Kshs 25,000 on account
- 22<sup>nd</sup> May made cash sales of Kshs 19,000
- 23<sup>rd</sup> May Credit sales to Madam Crux amounting to Kshs 5,750
- 25<sup>th</sup> May Madam Crux paid on account Ksh 11,050
- 26<sup>th</sup> May paid transport charges Ksh 500 incash
- 27<sup>th</sup> May sold goods for cash amounting to Kshs 38,555
- 28<sup>th</sup> May sold goods for cash amounting to Kshs 41,415
- 30<sup>th</sup> May mad credit sales to madam Crux Kshs 15,000
- 31<sup>st</sup>May Received shs 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]