The Management University of Africa

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CERTIFICATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

CERTIFICATE IN MANAGEMENT AND LEADERSHIP/ SUPPLY CHAIN MANAGEMENT

CML 102 /CSM 102: **FOUNDATIONS OF ACCOUNTING/ COST ACCOUNTING**

DATE: **2nd AUGUST 2023**

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **FOUR** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **10 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

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QUESTION ONE

a) Describe why the following parties might be interested in the financial statements of an organization: **(4 Marks)**
   (i) Employees.
   (ii) Financial analysts.
   (iii) The Government
   (iv) The public.

b) State and elaborate four reasons for incomplete records. **(4 marks)**

c) The following list of balances has been extracted from the books of Fitch Co., a sole trader, as at the end of his financial year 30th June 2022.

	Shs.
Capital	546,059.00
Sales	259,870.00
Trade creditors	19,840.00
Returns outwards	13,407.00
Provision for doubtful debts	512.00
Discounts allowed	2,306.00
Discounts received	1,750.00
Purchases	135,680.00
Returns inwards	5,624.00
Carriage outwards	4,562.00
Drawings	18,440.00
Carriage inwards	11,830.00
Rent, rates and insurance	25,973.00
Heating and lighting	11,010.00
Postage, stationery and telepł	2,410.00
Advertising	5,980.00
Salaries and wages	38,521.00
Bad debts	2,008.00
Cash in hand	534.00
Cash at bank	4,440.00
Stock as at 1st July 2020	15,654.00
Trade debtors	24,500.00
Van at cost	450,000.00
Fixtures and Fittings at cost	120,740.00

The following additional information as at 30th June 2022 is available:

i. Stock at the close of business was valued at shs. 17,750

ii. Insurances have been prepaid by shs. 1,120

iii. Depreciate fixtures & fittings at 10% per annum and van at 15% per annum on cost

Required:

a) Fitch Co. profit & loss account for the year ended 30th June 2022 **(12 Marks)**

b) Prepare Fitch Co. balance sheet as at year ended 30th June 2022 **(10 Marks)**

QUESTION 2

Abunuwasi started business with sh 400,000 in cash on 1/1/2014.

2014
January 2: Deposited Ksh. 200,000 cash in the bank
5: She bought stock in cash Abunuwasi 20,000
6: She took Ksh. 10,000 cash to pay school fees for her son
7: She paid salaries, Ksh 40,000 by cheque
8: She sold goods for Ksh 40,000 cash
9: She paid salaries Ksh 4,000 by cheque.

Required

i) Enter the above transactions in Abunuwasi ledger accounts. **(7 Marks)**

ii) Balance the ledger accounts and extract a trial balance as at 9th January 2014. **(3 Marks)**

QUESTION 3

a) Explain two advantages of double entry. **(2 Marks)**

b) Giving examples, differentiate between source documents and books of prime entry. **(2 Marks)**

c) Explain the following accounting terms:

i. Materiality **(1 Mark)**

ii. Prudence **(1 Mark)**

iii. Obsolescence **(1.5 Marks)**

iv. Wear and tear **(1.5 Marks)**

v. Consistency **(1 Mark)**

QUESTION 4

a) Distinguish between bad debts and provision for doubtful debts **(3 marks)**

b) XYZ bought a motor vehicle on 1st January 2009 at a cost of shs 750,000. The motor vehicle was to be kept for 2 years and then sold for an estimated price of sh 560,000.

Required:

(i) Using the reducing balance method, show the figures for depreciation charges for the 2 years **(4 marks)**

(ii) Show the provision for depreciation accounts for the 3 years **(3 marks)**

QUESTION 5

The following is the bank statement for Miss Portuguesa for the month of July 2018:

Date	Description	Dr	Cr	Running Balance
		Shs.	Shs.	Shs.
1	Balance			51,970
8	Joe	1,220		53,190
16	Cheque		2,440	50,750
20	Moe	2,080		52,830
21	Cheque		3,330	49,500
31	M Turnbull: traders' credit		570	48,930
31	BKS: standing order	490		49,420
31	Bank charges	280		49.700

The cash book (Bank columns) for July 2011 is:

2018	Dr	Shs.	2018	Cr	Shs.
"16	X & M Inc.	2,440	"01	Balance b/d	51,970
"21	K Strategic Ltd.	3,330	"06	Joe	1,220
"31	N.H. Simon	1,600	"30	Moe	2,080
"31	Balance c/d	52,800	"30	J. Ahmed	4,900
		60,170			60,170

Required:

i. Write the cash book up to date **(5 marks)**

ii. Draw up a bank reconciliation statement as on 31st July 2011 **(5 marks)**

QUESTION 6

a) Explain how accounting profession is regulated in Kenya citing two bodies charged with this regulation. **(4 marks)**

b) Explain the following accounting concepts:

i. Historical cost convention **(2 marks)**

ii. The realization concept **(2 marks)**

iii. Matching principle **(2 marks)**