



CERTIFICATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

CERTIFICATE IN MANAGEMENT AND LEADERSHIP /
CERTIFICATE IN SUPPLY CHAIN MANAGEMENT

CML 102/ CSM 102: FOUNDATIONS OF ACCOUNTING

DATE: 31ST MARCH 2026

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.**

QUESTION ONE

The following trial balance was extracted from the books of Ufanisi Retailers, a sole proprietorship, as at 31st March 2024. The bookkeeper, who is new, suspects there are several outstanding adjustments.

Trial Balance as at 31st March 2024	Dr (Ksh '000)	Cr (Ksh '000)
Capital Account (1 st April 2023)		85,000
Drawings	18,500	
Property, Plant & Equipment (at cost)	120,000	
Accumulated Depreciation (1 April 2023)		48,000
Inventory (1 st April 2023)	29,000	
Trade Receivables and Payables	62,000	41,500
Bank Overdraft		15,200
8% Long-term Loan (1 st Jan 2024)		50,000
Sales Revenue		450,000
Purchases	310,000	
Operating Expenses (including interest)	94,800	
Suspense Account	25,000	
Totals	659,300	689,700

Subsequent investigations revealed the following:

- a) The Suspense Account balance arises from two errors:
 - i) The purchase of office furniture costing Ksh 7,000,000 was correctly entered in the bank account but was debited to the Purchases Account.
 - ii) A cash payment of Ksh 18,000,000 to a trade payable was recorded only in the bank account.
- b) A physical stocktake on 31st March 2024 valued closing inventory at Ksh 34,500,000.
- c) Depreciation is to be provided on the diminishing balance method at 20% per annum on Property, Plant & Equipment.
- d) As at 31st March 2024:

- i) Ksh 3,500,000 had been paid for advertising in the next financial year.
 - ii) Electricity consumed but not yet paid for amounted to Ksh 2,200,000.
 - iii) Interest on the long-term loan for the quarter ended 31 March 2024 is outstanding.
- e) The proprietor took goods for his personal use costing Ksh 2,000,000. This has not been recorded.

Required:

- a) Journalize the necessary entries to clear the Suspense Account and correct the errors.

(6 Marks)

- b) Prepare the Income Statement for Ufanisi Retailers for the year ended 31st March 2024.

(14 Marks)

- c) Prepare the Statement of Financial Position as at 31st March 2024.

(10 Marks)

QUESTION TWO

On 1st November 2024, the following balances existed in the books of Mombasa Traders:

- Cash in Hand: Ksh 25,000
- Bank Overdraft: Ksh 180,000

The following transactions took place during November 2024:

- Nov 2: Cash sales Ksh 40,000 (banked Ksh 30,000 immediately)
- Nov 5: Paid rent by cash Ksh 15,000
- Nov 8: Received a cheque from a debtor Ksh 50,000
- Nov 10: Paid a creditor by cheque Ksh 25,000 after deducting 5% cash discount
- Nov 12: Withdrew Ksh 20,000 from bank for office use
- Nov 15: Purchased stationery by cash Ksh 3,500
- Nov 18: Deposited cash Ksh 10,000 into the bank account
- Nov 20: Received cash discount from a supplier Ksh 2,000

Required:

Prepare a three-column cashbook and balance it as at 30th November 2024.

(10 Marks)

QUESTION THREE

a) Giving examples, distinguish between a source document and a book of prime entry.

(4 Marks)

b) The following transactions occurred in the business of J. Mwangi during December 2024:

Dec 1: Purchased office equipment on credit from Uchumi Furnishers for Ksh 150,000

Dec 5: Sold goods on credit to K. Otieno for Ksh 80,000

Dec 10: Returned damaged goods to Uchumi Furnishers worth Ksh 10,000

Dec 15: K. Otieno returned goods worth Ksh 5,000

Dec 20: The proprietor took goods costing Ksh 8,000 for personal use

Dec 25: Purchased a delivery van by cheque for Ksh 800,000

Required:

Prepare the General Journal to record the above transactions. **(6 Marks)**

QUESTION FOUR

The cash book of Summit Enterprises showed a debit balance of Ksh 12,675,000 as at 30th September 2024. Upon comparison with the bank statement for the same date, the following were noted:

- Unpresented cheques totalled Ksh 8,420,000.
- A cheque deposit of Ksh 5,150,000 was not reflected on the bank statement.
- The bank had charged interest on the overdraft facility of Ksh 750,000

and levied service charges of Ksh 125,000, none of which were in the cash book.

- A standing order payment for insurance of Ksh 3,000,000 was recorded by the bank only.

- A customer's direct deposit of Ksh 4,800,000 appeared on the bank statement but not in the cash book.

Required:

- a) Prepare a statement to reconcile the adjusted cash book balance with the bank statement balance.

(7 Marks)

- b) Briefly explain why a business might have a debit balance in its cash book but a credit balance on its bank statement.

(3 Marks)

QUESTION FIVE

- a) State TWO legitimate reasons why a small business might not maintain a full double-entry accounting system.

(4 Marks)

- b) Briefly explain the following SIX fundamental accounting concepts.

- i. Business Entity Concept (1 Mark)
- ii. Going Concern Concept (1 Mark)
- iii. Accruals Concept (1 Mark)
- iv. Prudence Concept (1 Mark)
- v. Historical Cost Concept (1 Mark)
- vi. Money Measurement Concept (1 Mark)

QUESTION SIX

- a) Discuss significant benefits that a developing country like Kenya derives from adopting International Financial Reporting Standards (IFRS). **(5 Marks)**
- b) In each of the following, classify as a Current Asset, Non-Current Asset, Current Liability, or Non-Current Liability:
- i) Inventory of goods for resale. **(1 Mark)**
 - ii) Accrued electricity expense. **(1 Mark)**
 - iii) Amounts owed to suppliers, to be paid in 60 days. **(1 Mark)**
 - iv) The owner's capital. **(1 Mark)**
 - v) Prepaid rent for the next year. **(1 Mark)**