The Management University of Africa

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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: 27TH NOVEMBER 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.**

QUESTION ONE

Below are two-year comparative account records for J & M Traders, a sole trader.

	2019	2020
	$	$
Gross profit		44,700
Motor expenses		1,940
Wages		17,200
General expenses		830
Discounts received		410
Bad debts		520
Increase in doubtful debt provision		200
Depreciation: Van		1,800
Profit on sale of van		620
Stock	18,600	24,000
Debtors	8,800	7,700
Provision for bad debts	600	800
Bank	410	720
Vans at cost	15,400	8,200
Accumulated Depreciation	5,300	3,100
Creditors	5,900	7,200
Loan from J Fry	10,000	7,500
Capital	17,210	21,410
Net profit	21,200	
Drawings	17,000	22,630
	120,420	**171,480**

Additional information

A van with a book value of $3,200 was sold for $3,820 in 2020. No new vans were purchased during the year.

Required:

a) Explain sole proprietor and state two characteristics. **(3 Marks)**

b) State two roles of control accounts **(2 Marks)**

c) Identify four characteristics of good accounting information **(4Marks)**

d) Prepare J & M Traders profit & loss account for the year ended 31 December 2020 **(8 marks)**

e) Prepare J & M Traders balance sheet as at 31 December 2020 **(8 marks)**

f) Outline and explain any five (5) users of accounting information. **(5 marks)**

QUESTION TWO

The following information was extracted from the books of Mr. Y traders for the month of April 2022.

Date 1. Balance in hand Ksh 5,000

4. Sold goods to Mr. Z on credit Ksh 3,000

6. Sold goods for Cash Ksh 1,000

8. Purchased goods on credit from Mr. P for Ksh 3,000

12. Paid to Mr. P for Ksh 2,000 and Received Discount Ksh 200

15. Returned goods to Mr. P for Ksh 800

20. Goods Returned by Mr. Z for Ksh 300

25. Z settled his account for Ksh 2,500

26. Paid salary by cheque for Ksh 1,000

30. Received interest for Ksh 1,000

a. Prepare a single column Cash Book of Mr. Y for the month of April 2022. **(6 Marks)**

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

QUESTION THREE

a) State any two errors that **don't** affect the trial balance. **(2 Marks)**

A bookkeeper extracted a trial balance on 31 December 2002 that failed to agree by Sh.3, 300 a shortage on the credit side of the trial balance. A suspense account was opened for the difference.

In January 2003 the following errors made in 2003 were found:

i. Sales daybook had been under cast by Sh.1, 000.
ii. Sales of Sh.2, 500 to J Church had been debited in error to J Chane account.
iii. Rent account had been undercast by Sh.700.
iv. Discounts received account had been under cast by Sh.3, 000.
v. The sale of a motor vehicle at book value had been credited in error to Sales account Sh.3, 600.

Required:

a) Show the journal entries necessary to correct the errors. **(5 Marks)**

b) Draw up the suspense account after the errors described have been corrected.

(3 Marks)

Question 4

a. Explain two methods of calculating depreciation **(3 marks)**

b. Zawadi Business started business on 1st of June. The following transactions took place during the month.

June 2015:

June 1: Zawadi started business with $ 1,000,000 of which 25% amount was borrowed from wife.

June 4: Purchased goods from Aniket worth $40,000 at 20% TD and 1/5th amount paid in cash.

June 7: Cash purchases $ 25,000.

June 10: Sold goods to Vishakha $ 30,000 at 30% TD and received 30% amount in cash.

June 12: Deposited cash into bank $ 20,000.

June 15: Uninsured goods destroyed by fire $ 5,500.

June 19: Received commission $ 3,500.

June 22: Paid to Aniket $ 25,500 in full settlement of A/c.

June 25: Cash stolen from cash box $ 1,000.

June 27: Received from Vishakha $ 14,500 and discount allowed $ 200.

June 30: Interest received $ 2,400 directly added in our bank account.

Prepare journals to record the above transactions **(7 Marks)**

QUESTION FIVE

a. Explain the term accounting and explain components of accounting equation.

(4 Marks)

On 31.12.14, Equity Bank Balance as shown by the Cash Book was Ksh 75,000. On receipt of Bank Statement it was found that:

- Three cheques of Ksh 3,000, Ksh 4,000 and Ksh 1,500 drawn in favor of suppliers respectively on 28th, 29th and 30th December, 2014 had been debited in the Bank Statement on 2nd January 2015.

- The Bank had credited Ksh 8,000 on 30th December, 2014, in respect of collection made by Bank directly from a customer, the intimation not having yet been received.

- Two cheques of Ksh 5,000 and Ksh 6,000 were deposited into Bank on 30th December, 2014 had been credited in the Bank statement on 4th January, 2015.

- The Bank had debited Ksh 30 as incidental charges on 30th December, 2014 but not entered in the Cash Book.

Required

Show the reconciliation of the Bank Balance as per Cash Book with the Bank Balance as per Bank Statement as on 31st December, 2014. **(6 marks)**

QUESTION SIX

a) There is a rising popularity of cloud-based accounting software. State and explain two advantages of cloud-based accounting. **(2 Marks)**

b) Write notes on any 4 basic accounting concepts. **(8 Marks)**