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 JULY 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

a) Explain the term accounting and briefly describe four different users of accounting information.
(10 Marks)

b) The following trial balance was extracted from the books of Mr. Bonny, a sole trader, as at 31 December 2017.

	Dr (Ksh)	**Cr (Ksh)**
Capital		25,000
Stock 01.01.17	2,500	
Plant & machinery (Cost)	25,000	
Motor vehicles (Cost)	8,000	
Provision for depreciation of plant & machinery		2,000
Provision for depreciation of motor vehicles		1,600
Purchases	36,000	
Sales		60,000
Sales returns	4,000	
Purchases returns		2,000
Wages & salaries	6,000	
Discount allowed	500	
Discount received		400
Carriage inwards	250	
Carriage outwards	300	
Postage and telephone	750	
Water & electricity	860	
Bad debts written off	150	
Provision for doubtful debts		100
General expenses	850	
Rent and rates	1,500	
Debtors	5,500	

Creditors		4,660
Cash in hand	600	
Cash at bank	3,000	
	95,760	**95,760**

Additional information:

i. Closing stock on 31.12.17 was valued at $ 2,250
ii. Depreciation charged at 10% & 20% annually on plant & machinery and motor vehicles respectively using straight line method
iii. Outstanding rent was $ 300 and prepaid rates $100
iv. Accrued electricity was $60
v. Provision for doubtful debts increased by $30

Required:

(i). Explain five accounting conventions relevant to Mr. Bonny's business **(10 Marks)**

(ii). Prepare Trading, profit & loss account for the year ended 31 March 2022 **(10 Marks)**

QUESTION TWO

The following Information was extracted from John supplies for the month of December 2021.

1 Invested Ksh 100,000 in cash and 200, 000 in the bank
5 Deposited Ksh 10,000 to the bank out of cash
9 Paid rent and electricity bills worth Ksh 15,000 and Ksh 10,000 respectively by cash
11 Purchased motor vehicles worth Ksh 200,000 on credit from M Supplies ltd
14 Cash sales worth Ksh 8,000
15 The company withdrew Ksh 3,000 for office use out of cash
18 Sold goods to Baily worth Ksh 300,000
19 The Company returned goods to M Supplies worth Ksh 20,000
20 Received a cheque of Ksh 100,000 Billy after allowing him a discount of Ksh 5,000.

22 Billy supplies returned goods worth Ksh 2000 for being defective
31 Paid M supplies via cheque of Ksh 100,000 after a being given a discount of 10% on total purchases.

Required:
a) Prepare the required Journals using the double entry concept. **(8 Marks)**

b) Goods may be returned back by customers after sale. Give two situations where items sold may be returned. **(2 Marks)**

QUESTION THREE

a) In your own words, explain what suspense account means **(2 marks)**
b) While auditing his books of accounts, Mr. Omondi realized errors but his trial balance totals agreed. State and explain any four of such errors **(8 marks)**

QUESTION FOUR

a). JPN & Co, has a balance of $20,000 as per cashbook as on 31st march 2021.

- Three checks of $1000, $1500, $1750 were deposited in the bank on 30th December 2021 but were recorded in the bank statement on January 2022.
- A check of $1000 was issued on 31st December 2021, was not processed.
- A dividend of $500 on stocks was credited to the bank account, but not recorded in the cash book.
- A direct deposit of $600 was made in a bank account by a customer, which was not recorded in the cash book.
- Bank charges of $60 were entered only in the bank cashbook.
- Balance as per cash book on 31st December 2021 was $22,210.

Draw up a bank reconciliation statement as at 31 March 2021 to bring up the cash book balance up to date. **(6 Marks)**

b). Discuss the importance of International Accounting Standards (IAS) in global financial reporting. **(4 Marks)**

QUESTION FIVE

a). Explain the difference between liabilities and expenses in accounting.

(2 Marks)

b). Anthony Brown started a business on January 1st, and he has the following transactions in the month:1

1 Started with capital of Ksh 200,000 paid into the business bank account.
2 Paid Ksh 50,000 cash for the rent of the shop.
3 Bought equipment for Ksh 60,000, paid by cash after a discount of 2%.
4 Purchased stock for resale and paid Ksh 45,000 by cheque.
5 Sold goods for Ksh 7,500 to ABS; offered him 1% discount and the money was paid by cash.
9 Bought business stationery for Ksh 1,200 and paid by cheque.
17 Withdrew Ksh 50,000 from the bank for office use.
24 Sold more stock for Ksh 32,000 and the money was paid by cash.
27 Paid wages of Ksh 35,000 by cheque.
28 The telephone bill of Ksh 1.800 was paid by cash.
30 Drew a cheque for personal use for Ksh 30,000

Required: Prepare the three-column cashbook. **(8 Marks)**

QUESTION SIX

a) There are two types of errors in accounts: errors that don’t affect the trial balance and errors that affect the trial balance. Discuss

(5 Marks)

b) Explain five factors that make information in financial statements useful to its users.

(5 Marks)