



**Riara School of Business**  
*Nurturing business innovators*

**SEPTEMBER -DECEMBER 2023 TRIMESTER EXAMINATIONS**  
**DAY PROGRAMME**  
**EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION**  
**RAC 101: PRINCIPLES OF ACCOUNTING 1**

**DATE: DECEMBER 2023**  
**HOURS**

**TIME: 2**

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**GENERAL INSTRUCTIONS:**

Students are NOT permitted to write on the examination paper during reading time.  
This is a closed book examination. Text book/Reference books/notes are not permitted.

**SPECIAL INSTRUCTIONS:**

- 1 Write your REGISTRATION NO. Clearly on the answer booklet(s).
- 2 **Answer Question One and ANY other TWO questions.**
- 3 Questions in all sections should be answered in answer booklet(s).
- 4 Marks allocated to each question are shown at the end of the question.
- 5 PLEASE start the answer to EACH question on a NEW PAGE.
- 6 For the questions, write the number of the question on the answer booklet(s) in the order you answered them.
- 7 Write your answers in paragraph form unless stated otherwise.
- 8 Keep your phone(s) SWITCHED OFF at the front of the examination room.
- 9 Keep ALL bags and caps at the front of the examination room and do not refer to any unauthorized material before or during the course of the examination.
- 10 You are only allowed to leave the examination room 30minutes to the end of the Examination.

### QUESTION ONE: COMPULSORY (30 MARKS)

- a) The following trial balance was extracted from the books of Mary Retailers on 31<sup>st</sup> December 2022:

	DR (Shs)	CR (Shs)
Purchases	2,214,500	
Sales		3,847,750
Inventory (1 <sup>st</sup> January 2022)	587,000	
Capital		1,875,750
Bank Balance	500,250	
Cash Balance	60,750	
Discount Allowed	108,000	
Discount received		69,750
Returns	60,750	46,000
Carriage outwards	162,000	
Carriage Inwards	200,000	
Rent	130,500	
Provision for bad and doubtful debts		60,500
Equipment	150,000	
Provision for depreciation: equipment		30,000
Motor vehicle	1,000,000	
Provision for depreciation: Motor vehicle		160,000
Debtors	893,250	
Creditors		954,000
Drawings	216,000	
Wages and Salaries	570,500	
General Office Expenses	40,750	
Bad debts	200,000	
Rent received		150,000
	<b>7,194, 250</b>	<b>7,194,250</b>

#### Additional information:

On 31<sup>st</sup> December 2022

- i. Inventory was valued at sh.550,000
- ii. Wages and salaries accrued was sh.90,500
- iii. Prepaid rent amounted to sh.60,000
- iv. Depreciation expense to be calculated using reducing balance method  
Equipment 12%  
Motor vehicle 15%
- v. Provision for bad and doubtful debts is provided for at 20% of debtors balance.

Required:

- i.) Comprehensive Income statement for the year ended 31<sup>st</sup>December 2022.  
(10 marks)

ii.) Statement of financial position for the year ended 31<sup>st</sup> December 2022.

(10 marks)

b) Describe **FOUR** external users of accounting information clearly indicating their information needs and financial statements they would refer to.

(10marks)

### QUESTION TWO

a) On June 2022 Mathew traders had cash in hand sh. 300,500 and cash at bank sh. Credit balance of Sh.625,000. During the month the following transactions took place.

June 2 Sold goods for cash sh. 125,000.

June 2 Sold on credit sh. 100,000 to Vicky

June 3 Paid insurance by cheque sh.253, 750.

June 4 Purchased goods on credit sh. 50,000 from Muthoni

June 6 received a cheque for sh. 192,000 from Wairimu after allowing her a discount of 3.5%  
(All amounts are pre-discount).

June 12 Bought stationery by cheque sh.60,000.

June 16 Settled Mamba's account of sh. 100,000 in cash having deducted 3.5% cash discount  
((All amounts are pre-discount).

June 18 Received a cheque for sh. 500,000 in respect of cash sales.

June 21 Paid wages sh. 60,000 in cash.

June 22 Withdrew sh 75,000 from bank for office use.

June 25 withdrew sh. 50,500 cash for private use.

June 28 Received rent from sublet premises sh. 50,000

June 28 Received sh. 41,250 cash from Duncan in settlement of his account, less 4.5% cash discount (All amounts are pre-discount).

June 30 Bought goods worth sh.120, 000 on credit from Mary

June 31 deposited all the money into the bank except sh. 62,500.

#### Required:

Prepare a **three-column** cash book duly balanced.

(14 Marks)

b) Explain the **four** causes of differences between bank balance as per the bank statement and bank balance as per cash book

(4 marks)

c) Explain the difference between trade discount and cash discount

(2 marks)

### QUESTION THREE

a) Explain **four** importance of ledger accounts

(8 marks)

b) Describe **six** errors that do not affect (not revealed) by the trial balance

(12 marks)

#### QUESTION FOUR

- a) The following is a summary of a cash book bank column as presented by Cliff Ltd for the month of October 2023

##### Cash book (Bank column)

DR		CR	
Receipts	Shs. 146,900	Balance b/d	Shs. 76,100
Balance c/d	<u>55,400</u>	Payments	<u>126,200</u>
	<b>202,300</b>		<b>202,300</b>

All receipts are banked and all payments are made by cheque. The following errors were discovered after investigation:

- 1) Bank charges of Shs. 13,600 entered on the bank statement have not been entered in the cash book.
- 2) Cheques drawn amounting to Shs.26,700 had not been presented to the bank for payment.
- 3) Cheques received totalling Shs.76,200 had been entered in the cash book and paid into the bank, but had not been credited by the bank until 3 November.
- 4) A cheque for Shs.2,200 for sundries had been entered in the cash book as a receipt instead of as a payment.
- 5) A cheque received from Angel for Shs.8,000 had been returned by the bank and marked 'No funds available'. No adjustment has been made in the cash book.
- 6) (6) A standing order for a business rates instalment of Shs. 15,000 on 30 October had not been entered in the cash book.
- 7) All dividends received are credited directly to the bank account. During October amounts totalling Shs. 6,200 were credited by the bank but no entries were made in the cash book.
- 8) A cheque drawn for Shs.6,600 for stationery had been incorrectly entered in the cash book as Shs.6,000.
- 9) The balance brought forward in the cash book should have been Shs.71,100 not Shs.76,100.

Required:

- i.) Show the adjustments required in the cash book **(8 marks)**
- ii.) Prepare a bank reconciliation statement as at 31 October. **(4 marks)**

- b) Explain **four** differences between management accounting and financial accounting

**(8 marks)**