# The Co-operative University of Kenya

**END OF SEMESTER EXAMINATION DECEMBER-2016**

**EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE BUSINESS/COMMERCE**

**UNIT CODE: HCOB 2101/HBC 2101**

**UNIT TITLE:INTRODUCTION TO ACCOUNTING I**

**DATE:** **TIME:2 HOURS**

**INSTRUCTIONS:**

- Answer question **ONE (compulsory)** and any other **TWO** questions

**QUESTION ONE**

(a) Giving relevant examples explain the THREE elements of an income statement. (3 Marks)

(b) Explain any FIVE accounting concepts highlighted how they are employed in co-operative societies. (10 Marks)

(c) The following trial balance has been extracted from the books of Ms. Roselyn Kapupu, a sole trader as at 31 December 2015.

**MS. ROSELYN KAPUPU**
**TRIAL BALANCE AS AT 31 DECEMBER 2015**

| | Debit | Credit |
|---|---|---|
| | Sh | sh |
| Capital at 1 January 2015 | | 26,094 |
| Debtors | 42,737 | |
| Cash in Hand | 1,411 | |
| Creditors | | 35,404 |
| Fixtures and fittings at cost | 42,200 | |
| Discounts allowed | 1,304 | |
| Discounts received | | 1,175 |
| Stock at 1 January 205 | 18,460 | |
| Sales | | 491,620 |
| Purchases | 387,936 | |
| Motor Vehicles at cost | 45,730 | |
| Lightining and heating | 6,184 | |
| Motor expenses | 2,862 | |
| Rent | 8,841 | |
| General expenses | 7,413 | |
| Balance at bank | | 19,861 |
| Provision for depreciation | | |
| Fixtures and fitting | | 2,200 |
| Motor vehicles | | 15,292 |
| Drawings | 26,568 | |
| | 591,646 | 591,646 |

Additional Information:

1. Sh. 218 is owing for motor expenses
2. Sh 680 has been prepaid for rent.
3. Depreciation is to be provided of the year as follows:
   - Motor vehicles; 20% on cost
   - Fixtures and fittings: 10% reducing balance method
4. Stock at the close of business was valued at sh 19,926

Required:
Prepare Ms. Roselyn Kapupu Income statement for the year ended 31 December 2015 and his statement of financial position as at that date. (17 Marks)

**QUESTION TWO**

(a) The following transactions relate to Deluxe Enterprises

01/05/2014: Started business by depositing sh. 200,000 in the bank
02/05/2014: Purchased goods worth sh. 17,500 on credit from AA Wholesalers.
03/05/2014: Bought Equipment for sh 15,000 paying by cheque.
05/05/2014: Sold goods for cash worth sh 27,500
06/05/2014: Bought goods on credit worth sh 11,400 from PP Shah
10/05/2014: Paid rent by cash sh. 1,500
12/05/2014: Bought stationery for sh 2,700, paying in cash
18/05/2014: Goods returned to AA Wholesalers were amounting to sh.2,300
21/05/2014: Received rent by cheque for sh 500
23/05/2014: Sold goods on credit to Unity for sh 7,700
24/05/2014: Bought a motor vehicle paying by cheque sh 30,000
30/05/2014: Paid the wages by cash amounting to sh. 11,700
31/05/2014: The owner made cash drawings for personal use worth sh. 4,400

Require: Prepare Deluxe Enterprises journal entries, ledger accounts and Trial balance for the month of May,2014.

**QUESTION THREE**

(a) Explain the errors that don't violate the equality of the trial balance. (6 Marks)

The following information was obtained from Fortune traders as at 31/12/2015. Balance as at 1st January 2015 are as follows:

| **Sales Ledger** | **Purchases Ledger** |
|---|---|
| sh. 120,000 on Debit side | sh. 186,000 on Credit side |
| sh. 15,000 on Credit side | sh. 8,000 on Debit side |

The following transactions took place during the year 2015.

| | Sh. | | Sh. |
|---|---|---|---|
| Sales in cash | 150,000 | Bad debts written off | 14,600 |
| Sales in credit | 425,000 | Return inwards | 12,300 |
| Purchases in cash | 38,000 | Return outwards | 22,000 |
| Purchases in credit | 560,000 | Refunds to credit customers | 3,200 |
| Cheques from credit customers | 178,000 | Provision for doubtful debts | 1,400 |
| Cheques to credit suppliers | 258,000 | Creditors cheques dishonored | 16,400 |
| Contra Settlements | 9,000 | Refunds from creditors | 4,400 |
| Customer cheques dishonoured | 21,000 | Balance as at 31/12/2015 | |
| Interest charged on overdue debtors | 5,600 | Sales ledger 18,000 (Cr.Bal) | |

| | | | |
|---|---|---|---|
| Discount Allowed | 12,000 | Purchases ledger | 14,000 (Dr. Bal) |
| Discount Received | 9,600 | | |

Required:
Prepare sales ledger and purchases ledger control accounts

**QUESTION FOUR**

(a) Highlight the sources of information for control accounts? (5 Marks)

(b) Winas Sacco depreciates its plant at the rate of 20 per cent per annum, straight line method, for each month of ownership. From the following details draw up the plant account and the provision for depreciation account for each of the years 2009, 2010, 2011 and 2012.

2009 Bought plant costing £ 900 on 1 January.
Bought plant costing £ 600 on 1 October
2011 Bought plant costing £ 550 on 1 July
2012 Sold plant which had been bought for £ 900 on 1 January 2009 for the sum of £ 275 on 30 September 2012.

Required: Prepare a plant account, plant provision for depreciation account and a plant disposal account. (15 Marks)

**QUESTION FIVE**

(a) What is the purpose of preparing a bank reconciliation statement? (4 Marks)

(b) The following is the bank statement of Kamatope Microfinance Sacco for the month of October 2014:

| Date 2014 | Particulars | Debit sh. | Credit Sh. | Balance Sh. |
|---|---|---|---|---|
| October 1 | Balance b/d | | | 365,875 |
| 2 | Cheque no. 63 | 31,000 | | 334,875 |
| 2 | Cheque no. 67 | 3,548 | | 331,327 |
| 2 | Cheque no. 65 | 13,000 | | 318,327 |
| 2 | Deposit | | 82,000 | 400,327 |
| 4 | Cheque no. 69 | 6,000 | | 394,327 |
| 4 | Cheque no. 68 | 3,115 | | 391,212 |
| 4 | Cheque no. 64 | 51,000 | | 340,492 |
| 4 | Deposit | | 7,280 | 347,492 |
| 7 | Cheque no. 70 | 7,000 | | 340,492 |
| 7 | Cheque no. 71 | 51,500 | | 288,992 |
| 7 | Deposit | | 36,100 | 325,092 |
| 8 | Cheque no. 66 | 9,000 | | 316,092 |
| 8 | Deposit | | 28,000 | 344,092 |
| October 9 | Cheque no. 72 | 1,330 | | 342,762 |
| 9 | Cheque no. 73 | 6,250 | | 336,512 |
| 9 | Deposit | | 51,000 | 387,512 |
| 15 | Cheque no. 74 | 2,800 | | 384,712 |
| 15 | Deposit | | 20,560 | 405,272 |
| 16 | Cheque no. 75 | 65,000 | | 340,272 |

| | | | | |
|---|---|---|---|---|
| 16 | Deposit | | 18,014 | 358,286 |
| 17 | Deposit | | 34,500 | 392,786 |
| 19 | Cheque no. 76 | 8,500 | | 384,286 |
| 19 | Deposit | | 42,750 | 427,036 |
| 21 | Cheque no. 79 | 2,410 | | 424,626 |
| 21 | Cheque no. 77 | 12,506 | | 412,120 |
| 21 | Cheque no. 78 | 4,000 | | 408,120 |
| 21 | Cheque no. 81 | 6,500 | | 401,620 |
| 21 | Deposit | | 9,000 | 410,620 |
| 23 | Cheque no. 82 | 16,240 | | 394,380 |
| 23 | Deposit | | 63,000 | 457,380 |
| 26 | Cheque no. 84 | 1,500 | | 455,880 |
| 26 | Dividends | | 8,750 | 464,630 |
| 26 | Deposit | | 62,500 | 527,130 |
| 28 | Cheque no. 88 | 35,500 | | 491,630 |
| 28 | Standing order (Insurance) | 10,400 | | 481,230 |
| 28 | Cheque no. 85 | 27,000 | | 454,230 |
| 28 | Cheque no. 87 | 22,500 | | 431,730 |
| 28 | Deposit | | 13,025 | 444,755 |
| 31 | Service charge | 750 | | 444,005 |
| 31 | Deposit | | 28,050 | 472,055 |

The following is the bank column of the cashbook:

| Date 2014 | Particulars | Debit sh. | Date 2014 | Particulars | Credit sh. |
|---|---|---|---|---|---|
| October 1 | Balance b/d | 365,875 | October 1 | Cheque no.65 | 13,000 |
| 1 | Deposited at bank | 7,280 | 1 | Cheque no.66 | 9,000 |
| 3 | Deposited at bank | 36,100 | 1 | Cheque no. 67 | 3,548 |
| 5 | Deposited at bank | 28,000 | 2 | Cheque no. 68 | 3,115 |
| 8 | Deposited at bank | 51,000 | 4 | Cheque no. 69 | 6,000 |
| 10 | Deposited at bank | 20,560 | 5 | Cheque no. 70 | 7,000 |
| 15 | Deposited at bank | 18,014 | 5 | Cheque no. 71 | 51,500 |
| 15 | Deposited at bank | 34,500 | 7 | Cheque no. 72 | 1,330 |
| 17 | Deposited at bank | 42,750 | 8 | Cheque no. 73 | 6,250 |
| 19 | Deposited at bank | 15,700 | 10 | Cheque no. 74 | 2,800 |
| 19 | Deposited at bank | 9,000 | 11 | cheque no. 75 | 65,000 |
| 22 | Deposited at bank | 36,000 | 15 | cheque no. 76 | 5,800 |
| 24 | Deposited at bank | 26,500 | 18 | cheque no. 77 | 12,506 |
| 27 | Deposited at bank | 13,025 | 19 | cheque no. 78 | 4,000 |
| 28 | Deposited at bank | 28,050 | 19 | cheque no.79 | 2,410 |
| 29 | Deposited at bank | 171,010 | 19 | cheque no. 80 | 3,860 |
| 31 | Deposited at bank | 31,525 | 19 | cheque no. 81 | 6,500 |
| | | | 22 | Cheque no,82 | 16,240 |
| | | | 23 | Cheque no. 81 | 5,000 |
| | | | 26 | Cheque no. 84 | 1,500 |
| | | | 28 | Cheque no. 85 | 27,000 |
| | | | 28 | Cheque no. 86 | 10,520 |
| | | | 28 | Cheque no. 87 | 22,500 |

| | | | |
|---|---|---|---|
| | | 28 Cheque no. 88 | 53,500 |
| | | 30 Cheque no. 89 | 2,500 |
| | | 31 Cheque no. 90 | 64,529 |
| | | 31 Cheque no. 91 | 15,500 |
| | | 31 Balance c/d | 502,481 |
| | 934,889 | | 934,889 |

Notes:

1. The bank reconciliation on 30 September 2014 showed that one deposit was in transit and two cheques had not yet been presented to the bank.
2. Deposits of sh. 62,500 andsh. 36,000 had been entered in the cashbook as sh. 26,500 and sh. 36,000 and in the bank statement as sh. 62,500 and sh. 63,000 respectively.
3. A cheque from Naboeka Sacco for sh. 15,700 was deposited on 18 October 2014 but was dishonored and the advice was received on 4 November 2014.
4. Counterfoils for cheques no. 76 and no. 88 showed they had been drawn for sh. 5,800 and sh. 33,500 respectively.

Required:

1. An updated cashbook balance. (8 Marks)
2. A bank reconciliation statement on 31 October 2014. (8 Marks)