

**MURANG'A COLLEGE OF TECHNOLOGY**  
**BUSINESS STUDIES DEPARTMENT**  
**CLASSES: BS/BM/012D AND BS/CM/012D**  
**TIME: 2 HOURS**  
**DATE: 28<sup>TH</sup> AUGUST 2012**

Q1. The balance sheet of Bidii enterprises as at 31<sup>st</sup> December 2000 is given below

Sh.

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Afterward the following errors were discovered:

- (i) The purchase day book had been undercast by sh.16, 000
- (ii) The cost of new equipment (sh 12000) had been debited to the repairs account. Depreciation on this equipment should be provided at 15% p.a on the straight line methods.
- (iii) A balance of sh. 8,000 due from Jomako was omitted from star debtors
- (iv) An entry of sh.2,000 with respect to returns outwards was made in the sales day book instead of the purchase returns day book.
- (v) A cheque for sh.5, 000 paid to Luka a creditor was correctly entered in the cash book but was credited to his account.
- (vi) A debt of sh.5, 000 should have been written off from one of the debtors account.
- (vii) Goods with a sale value of sh 40,000 had been taken for the proprietor's own use. These were not recorded anywhere.
- (viii) A discount of sh.18, 000 had been correctly entered in the cash book but had been posted to the wrong side of the discount received account.

Required

- (a) Journal entries necessary to correct the above errors. (6 marks)
- (b) A statement of adjusted profits. (5 marks)
- (c) Correct balance sheet. (9 marks)
- Q2. (a) State the advantages of using imprest system of petty cash. (4 marks)

(b) Mark is a role trader. He keeps his petty cash on an imprest system, the imprest being sh.20,000. The following are the petty cash transactions for the month of March 2001.

March.	1	Petty cash in hand	2,575
	2	Petty cash restored to imprest amount	
	3	Paid wages	2989
	4	Cost of E- mail	1,358
	13	Paid wages	2920
	15	Bought foolscaps	1,545
	19	Paid wages	2970
	21	Bought postage stamps	1210
	24	Paid wages	2998
	26	Paid Njeri and creditor	1176
	39	Bought envelopes	970
	31	Petty cash reimbursed.	

**Required**

White up the petty cash Book to record the above transactions, showing the entries restoring the petty cash imprest amount

Note your analysis columns should show

- (i) Wages
- (ii) Postage and telegrams
- (iii) Stationery
- (iv) Ledger. (16 marks)

Q3 (a) (i) Name **SIX** source of information for writing up control accounts and indicate the type of information which is obtained from each of the sources. (6 marks)

(ii) What is meant by the term set off. (12 marks)

(b) J. Mwangi operates control accounts in the nominal ledger on 30<sup>th</sup> September 2000, the following amounts were obtained from his ledger

Debtors control A/C balances (Dr) sh.1, 488, 000

Creditors control a/c balance (Cr) sh. 912,000

A list of balances extracted from debtors and creditors ledgers on 30<sup>th</sup> December 2000 were as follows:

List of balances extracted from debtors and creditors ledgers on 30<sup>th</sup> December 2000  
Were as follows:-

Total of Debtors balances sh.1,381,200  
Total of creditors balances sh.839,040

The following errors were later discovered.

- (i) The sales day book had been overcast by sh.12, 000 and purchases day book was undercast by sh.24000
- (ii) A credit balance in the purchase ledger, of sh.36, 000 had been omitted from the list of balances.
- (iii) Returns inwards totaling sh.42000 for the month of September had not been posted to the control account.
- (iv) A sum of sh.35, 000 being discounts received was correctly entered in the cash book but was overstated by sh.2160 in the respective personal account.
- (v) A dishoured cheque of a customer for sh.9`, 600 had not been entered in the control A/c.
- (vi) An amount of sh 60,000 in the purchases ledger had been set off against a contra account in the sales ledger but this is not recorded in either of the control accounts.
- (vii) Returns inwards amounting to sh 3, 6000 had been entered in the personal A/C but was not recorded any where else.
- (ix) A credit balance of sh 1,200 in the debtors ledger had been transferred to the same account in the creditors ledger but no entry had been made in the controls account's.

**Required:**

- (i) Entries in the debtors control account and creditors control accounts
- (ii) A corrected total of the debtors and creditors balances. (4 marks)