



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION

2020/2021 ACADEMIC YEAR

**FIRST YEAR FIRST SEMESTER EXAMINATION FOR DIPLOMA IN
BUSINESS MANAGEMENT**

BCA 050– INTRODUCTION TO FINANCIAL ACCOUNTING

DURATION: 2 HOURS

Instructions to candidates:

1. Answer question One and Any Other Two questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

SECTION A: ANSWER ALL QUESTIONS IN THIS SECTION

QUESTION ONE (30 MARKS)

- a) Define the term journalizing. (2marks)
- b) Outline five objectives of accounting. (5marks)
- c) State five advantages of journals. (5marks)
- d) List four causes of depreciation. (4marks)
- e) Identify four types of errors which are not revealed by trial balance. (4marks)
- f) Mr. John Kamau's business transactions are as follows;
 - January 1: cash in hand Kshs. 50,000
 - January 2: paid into bank Kshs. 10,000
 - January 3: bought goods from Harris for Kshs. 5000 for cash
 - January 4: bought goods for Kshs. 2,000 paid cheque them, discount allowed 1%
 - January 5: sold goods to Mohan for Kshs. 2,500
 - January 7: bank notified that shay's cheque has been returned dishonored and debited to the account in respect of charges ksh.100
 - January 9: shay settled his account by means of a cheque for Kshs. 8,200, Kshs. 200 being interest charged.
 - January 12: withdrew from bank Kshs. 10,000
 - January 15: withdrew for personal use Kshs. 1000
 - January 17: paid traders expenses Kshs. 2000
 - January 19: withdrew from bank for private expenses Kshs. 1,500
 - January 22: issued cheque to ram Sarah for purchase of furniture Kshs. 1,575
 - January 24: received payment of a loan of Kshs. 5,000 and deposit Kshs. 3000 out of it into bank.
 - January 25: paid rent to landlord by a cheque of Kshs. 5000
 - January 30: interest allowed by bank ksh.300

Required

Prepare a three- column cash book from the above particulars of January 2020. (10marka)

SECTION B – ANSWER ANY TWO QUESTIONS IN THIS SECTION

QUESTION TWO (20 MARKS)

- a) Write up an accounting effects on the following transactions to complete a double entry in the books of Amani limited Company for the month of May 2020 (10marks)
 - May 1: Started a business with Kshs. 150,000
 - May 2: Bought a motorbike by paying a cheque of Kshs. 110,000

- May4: Bought fixture worth Kshs. 70,000 on credit from Murang'a furniture limited.
- May 7: Bought a motor van on credit from Nairobi cars limited Kshs. 950,000
- May 12: Took ksh.35,000 out of bank and put it into cash till
- May 15: Bought fixtures paying by cash Kshs. 60,000
- May 19: Paid Nairobi cars limited by cheque Kshs. 950,000
- May25: Received a loan of Kshs. 250,000 from Wanjiru
- May 27: Paid Kshs. 750,000 of the cash in hand into the bank account
- May 30: Bought more fixtures paying by cheque Kshs. 50,000

b) Discuss five external users of accounting information (10marks)

QUESTION THREE (20 MARKS)

The following trial balance has been drawn up from the accounts of Mashujaa traders. Trial balance as at 31st December 2020.

Sales		292,500
Purchases	103,500	
Salary and wages	18,700	
Office expenses	2,500	
Insurance	1100	
Electricity	600	
Stationary	2,400	
Telephone	800	
Rates	3,500	
Discount allowed	100	
Discount received		200
Return inward	1,500	

Return outward		3,500
Stock as at 01/01/2020	46,000	
Premises	80,000	
Stock as at 31/12/2020	41,000	
Fixtures and fittings	5,000	
Debtors	4,800	
Creditors		44,500
Cash in hand	200	
Cash at bank	38,000	
Bank overdraft		12,000
Capital		11,000
Drawings	14,000	
Total	363,700	363,700

Required

- Prepare an income statement for the year ended 31st December 2020
(10marks)
- Prepare a statement of financial position as at 31st December 2020 (10marks)

QUESTION FOUR (20 MARKS)

- Explain five source documents that are used as evidence in the preparation of books of original entry. (10marks)
- Clay works company purchased machinery on 1st January 2000 for Kshs. 2,900,000 and spent Kshs. 200,000 on its transportation and Kshs. 100,000 on its mounting machinery is estimated to have a scrap value of Kshs. 500,000 at the end of its useful life of 5 years. The accounts are closed every year on 31st December.
Prepare the machinery account for five years charging depreciation according to straight line method. (10marks)