MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

UNIVERSITY ORDINARY EXAMINATION

2021/2022 ACADEMIC YEAR

FIRST YEAR **SECOND** SEMESTER EXAMINATION FOR, BACHELOR OF SCIENCE IN BPSM, TOURISM, HOSPITALITY, TTM, BIT, IT, Bed ARTS, ENTERPRENEURSHIP

BCA 100/HTU 100/HTU 200–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) Outline any five functions of accounting in a business organization   (5marks)
b) Highlight any five accounting errors   (5marks)
c) Outline five uses of a general journal.
d) Outline any five accounting concepts   (5marks)
e) Distinguish between the following terms:
   i.   Income and expenses   (2marks)
   ii. Liabilities and capital   (2marks)
   iii. Invoice and pay in slip   (2marks)
f) Complete the following table indicating the type of account to be increased / decreased i.e. Asset, liability, capital, income and expenses   (4marks)

S.N	TRANSACTION	INCREASE	DECREASE
1.	Purchased goods on credit		
2.	Sold goods on cash		
3.	Obtained a loan from equity bank		
4.	Withdrew money from the bank for business use		
5.	Paid rent by cash		
6.	Purchased furniture by cash		
7.	Deposited cash in bank		
8	Received cheque from a debtor		

SECTION B – ANSWER ANY TWO QUESTIONS IN THIS SECTION

QUESTION TWO (20 MARKS)

a) Explain five uses of a ledger   (10marks)
b) The following information relates to Mkabi enterprises for the month of August 2021.
   August 1 balances on cash and bank were Sh 13,400 and Sh145,000 respectively. August 2 the following debtors settled their account by cheque after deducting a 5% cash discount

Mwamba	Sh 9,500
Luois	Sh 19,000
Peris	14,250

August 4	Paid rent Sh 15,000 by cheque
August 8	Sold goods on cash Sh 70,000
August 12	Paid wages by cash Sh 40,000
August 14	Withdrew Sh 4000 from the bank for personal use
August 18	Withdrew Sh 10000 for business use
August 20	Bought furniture Sh 13,000 by cash
August 22	Purchased goods on credit from R.patel worth Sh 48,000
August 24	Received a commission by cheque Sh 4,860

August 25	Paid R.Patel his full amount after deducting Sh 2,400 as cash discount
August 28	Deposited Sh 5000 in the bank
August 29	The bank granted Mkabi a loan of Sh 150,000 in form of a cheque
August 30	Stephen a debtor settled his account of Sh 10,000 by paying Sh 9,800 by cheque

Required: Prepare a three column cash book.

c) Distinguish between book keeping and accounting. (2marks)

QUESTION THREE (20 MARKS)

a) Explain how each of the following functions are exercised in accounting

i.	Recording data	(2marks)
ii.	Classifying data	(2marks)
iii.	Summarizing data	(2marks)
iv.	Interpreting data	(2marks)
v.	Communicating information	(2marks)

b) The following transactions relate to Joyous enterprises for the month of December 2020.

December 1	Started business with Sh 750,000 in the bank and Sh 50,000 in hand
Dec 2	Borrowed a loan of Sh 300,000 from a SACCO and received it by cheque
Dec3	Bought an office machine worth Sh 8000 by cheque
Dec 5	Bought goods worth Sh 600,000 from Isaac on credit
Dec 8	Withdrew cash from the bank amounting to Sh 10,000 for private use
Dec 12	Sold goods on credit to Eric worth Sh 80,000
Dec 15	Paid Isaac Sh 300,000 by cheque
Dec 18	Sold goods on cash worth Sh 70,000
Dec 20	Paid rent by cheque Sh 28,000
Dec 24	Paid wages by cheque Sh 65,000
Dec 26	Received a commission by cash Sh 12,000
Dec 27	Bought goods by cheque Sh 200,000
Dec 28	Withdrew Sh 5,000 from the bank for business use
Dec29	Goods worth Sh 2000 were returned by Eric
Dec 30	Bought office furniture on credit from BLIZ
Dec 30	Sold goods on credit to Habwa enterprises worthy Sh 150,000
Dec 31	Bought stationery worth Sh 16,000 on cash

REQUIRED: Record the above transaction in ledger accounts and balance off the accounts. (10marks)

QUESTION FOUR (20 MARKS)

a) The following balances extracted from the books of Yala enterprises in respect of the year ended 31st December by 2020

	Sh
Sales	10,662,000
Sales returns	180,000
Debtors	2,250,000
Drawings	1,500,000
Purchases	5,236,000
Creditors	750,000
Purchase return	273,500
Wages	2,350,000
Discount allowed	124,000
Discount received	213,000
Cash at bank	1,291,500
Cash in hand	60,000
Rent and rates	360,000
Fixtures and fittings	700,000
Motor vehicle	3,00,000
Freehold premises	1,456,000
Stock	2,500,000
Loan	4,500,000
Stationery	78,000

Additional information

1. Rent and rates are to be apportioned such that three quarter is for business and the rest for private use
2. Closing stock amount to Sh 2,105,000
3. Depreciation is as follows on reducing balance.

   Fixtures   5%

   Motor vehicle 10%

4. Prepaid insurance amounted to Sh 80,000
5. Rent for business premises accrued was Sh 35,000

REQUIRED:

i)   Prepare an income statement for the year ended 31 December 2020   (5marks)
ii)   Prepare a statement of financial position   (5marks)
b) Write an explanatory notes on the following terms as used in financial accounting
      i)   Trial balance   (2marks)
      ii)   Revenue expenditure   (2marks)
      iii)   Bank reconciliation   (2marks)
      iv)   Imprest system   (2marks)
      v)   Source documents   (2marks)