



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION

2022/2023 ACADEMIC YEAR

**SECOND YEAR SECOND SEMESTER EXAMINATION FOR DIPLOMA IN
CRIMINOLOGY AND SECURITY STUDIES.**

BCA 052 : 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 (30MARKS)

- (a) Explain the following as used in accounting:
- (i) Business transaction (1mark)
 - (ii) Source document (1mark)
 - (iii) Depreciation (1mark)
 - (iv) Book keeping (1mark)
- (b) State four main objectives of financial Accounting (4marks)
- (c) Discuss five uses of financial accounting information (5marks)
- (d) State and explain three concepts used in financial accounting (6marks)
- (e) Distinguish between an income statement and a statement of financial position. (4marks)
- (f) On 1st April 2021, Mr Mutiso started a business with the following assets and liabilities in shillings:

Cash on hand	108,000
Bank overdraft	20,000
Loan for 5 years	80,000
Inventory	280,000
Furniture and fittings	60,000
Debtors	78,000
Creditors	130,000

Required:

- (i) Determine the business capital at the beginning of April 1st 2021 (3marks)
- (ii) Prepare a statement of financial position as at April 1st 2021. (4marks)

SECTION B – ANSWER ANY TWO QUESTIONS IN THIS SECTION

QUESTION TWO (15MARKS)

- (a) (i) Enter the following transactions in the appropriate account belong to Mrs Otieno's business.
- 2021, May 1st started a business with Sh 780,000 in cash
- May 2nd, paid Sh 670,200 (by opening a bank account.)
- May 4th bought goods on credit worth Sh. 6,084 from Simon.
- May 6th bought a van by a cheque amounting to Sh(550,000)
- May 7th bought goods for cash amounting to Sh 4290
- May 10th sold goods on credit amounting to SH 7644 to Maina.
- May 12th returned goods to Simon amounting to Sh. 1,404
- May 19th sold goods for cash amounting to Sh. 12,184
- May 22nd bought fixtures on credit from KK equipment store amounting To Sh. 11,700
- May 29th the business paid Simon by cheque amounting to Sh. 4,680
- May 31st KK equipment stores paid by cheque Sh 11,700 (10marks)
- (ii) Balance the accounts prepared in (a) (i) above and prepare a trial balance (5marks)
- (b) State and explain five errors found in a trial balance (5marks)

QUESTION THREE (15 MARKS)

Mr. Rotich runs a wholesale business in Murang'a. His trial balance for the year ended 31st Dec 2021 was follows:

	Dr (Sh000)	Cr (Sh000)
Land and building	8,000	
Motor vehicle	6,000	
Stock 1/1/2021	3,000	
Sales		52,700
Purchases	28,000	
Return inwards	2,000	
Return outwards		1,000
Discount received		2,800
Rent	200	
Fixtures	4,000	
Salaries and wages	4,000	
Electricity	300	
Telephone	300	
General expenses	3,000	
Discount allowed	1,500	
Debtors	5,000	
Creditors		4,000
Carriage outwards	300	
Carriage inwards	200	
Bad debt	2,000	
Provision for bad and doubtful debts		300
Drawings	2,000	
Capital		<u>9000</u>
	<u>69,800</u>	<u>69,800</u>

Additional information

1. Closing stock amounts to Sh. 2,000,000.
2. Provision for bad and doubtful debts is to be increased by 5%
3. rent outstanding at the end of the year amount to Sh150,000 while salaries paid in advance amounts to sh160,000.
4. electricity and telephone bills prepaid were Sh50,000 and sh150,000 respectively.
5. general expenses in arrears amount to Sh200,000.
6. depreciation is to be provided on motor vehicle and fixtures at 15% on cost.

Required :

- a) Prepare an income statement for the year ended 31/12/2021. (10marks)
- b) Statement of financial position as at 31st Dec,2021. (10marks)

QUESTION FOUR (15 MARKS)

(a) Enter the following transactions in a three-column cash book for Mrs. Otieno's

Business during the month of August, 2021.

- (i) August 1st balance brought forward (Bal. b/f) cash Sh.(4,700) bank Sh 17,000
- (ii) August 2nd cash sales Sh 20,000 (8% discount)
- (iii) August 5th cash sales Sh 42,000
- (iv) August 10th cash purchases Sh 18,000 (10% discount)
- (v) August 15th sales paid forby cheque of Sh. 40,000
- (vi) August 20th paid Sh 50,000 by cheque after 20% cash discount.
- (vii) August 25th made purchases by cheque Sh. 12,000. (10marks)

(b) On 31st Dec 2021, the cashbook of ABC ltd. Showed a balance at the bank of Sh. 8,100. The bank statement however showed a balance of Sh 6,700. Going through the bank statement they found out that:

- (i) A cheque received from Taifa ltd on 1st Dec for Sh. 600 and entered into the cashbook did not appear on the bank statement.
- (ii) A cheque paid to Kamara of Sh. 700 on 26th December had not yet been presented.
- (iii) A cheque received from Njiru on 24th December of Sh. 600 and entered into the cash book was returned dishonoured, no entry in in this regard was recorded in the cash book.
- (iv) Bank charges amounting to Sh. 100 had not been entered into the cash book.
- (v) The bank received directly Sh.1000 from E.A.B.L as dividends on 18th December on behalf of ABC ltd.
- (vi) A cheque payment of SH.2,000 to Olivia had been entered in error Sh 200 in the cash book.

Required: (i) Make the necessary entries to update the cash book. (5marks)

- (ii) Prepare a bank reconciliation statement for ABC ltd for the month of December 2021. (5marks) 1