



# **MURANG'A UNIVERSITY OF TECHNOLOGY**

## **SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF COMMERCE**

**UNIVERSITY ORDINARY EXAMS**

**2021/2022 ACADEMIC YEAR**

**SECOND YEAR FIRST SEMESTER EXAMINATION FOR MASTERS OF BUSINESS  
ADMINISTRATION**

**BCA 611 – FINANCIAL ACCOUNTING**

**DURATION: 2 HOURS**

Examination Date: 9<sup>th</sup> December, 2022

**Instructions to candidates:**

1. Answer any FOUR question
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

**QUESTION ONE (25 MARKS)**

- a. Using practical examples, explain and correct any five errors on accounts that do not affect the Trial Balance. (10 marks)
- b. If accounting information as presented in the financial statement is to be useful, the following concepts must be adhered to:
  - i. Materiality
  - ii. Consistency
  - iii. Prudence
  - iv. Objectivity
  - v. Separate valuation

Required

- i. Meaning of each of the above concept as they apply to financial accounting (10 marks)
- ii. An example of practical application of each of them (5 marks)

**QUESTION TWO (25 MARKS)**

Mr. Otieno started a business as a fish monger on 1<sup>st</sup> January, 2022. His transaction during the month of January 2022 was as follows

- January 2: Opened a bank account and deposited Kshs 40,000 while cash in hand amounted to Kshs 10,000.
- January 3: Paid rent in cash Kshs 3,500
- January 4: Purchased fish on credit valued at Kshs 36,000 from Kisumu Co-operative Society.
- January 6: Sold fish Kshs 58,000
- January 7: Purchased Office Desk Ksh 2,700 and paid by cheque
- January 9: Deposited Ksh 25,000 in bank
- January 10: Purchased fish worth Ksh 20,000 from Kola Fisheries and paid half of the amount by cheque.
- January 11: Sold fish Kshs 15,000 on credit to Matunda Fish Exporters.
- January 12: Hired a driver and paid Ksh 2,000 in cash.
- January 13: Matunda Fish Exporters returned some fish and received a credit note of Kshs 2,000.
- January 16: Received cheque Kshs 7,000 from Matunda Fish Exporters.
- January 18: Purchased fish Kshs 8,900 on credit from Agoro Sare Union.
- January 19: Sold fish Kshs 5,300 on credit to Samaki Restaurant.
- January 20: Paid Kisumu Co-operative Society Kshs 16,000 by cheque.
- January 22: Withdrew Kshs 5,000 from bank for personal use.
- January 24: Bought fish Ksh 8,300 and paid by cheque.
- January 26: Sold fish Kshs 5,600 to Uthiru Lodge and received a cheque for Kshs 1,200 in part payment.
- January 28: Paid salaries Ksh 4,700 in cash and water bill Kshs 500 by cheque.
- January 29: Paid salaries Kshs 4,700 in cash and water bill Kshs 500 by cheque.

Note: All cheques were deposited into the bank immediately.

Required:

- i. Journal entries to record the above transaction. (10 marks)
- ii. Posting in ledgers (15 marks)

**QUESTION THREE (25 MARKS)**

a. The Bank Statement for Fix Enterprises for the month of January 2022 is as follows:

Date	Details	Dr (Kshs)	Cr (Kshs)	Balance (Kshs)
January 1	Balance (Cr)			25,985 O/D
January 8	M. David	3,660		29,645 O/D
January 16	Cheque		7,320	22,325 O/D
January 20	K. B. Nick	6,240		28,565 O/D
January 21	Cheque		9,990	18,575 O/D
January 31	M. Turu Traders Credit		1,710	16,865 O/D
January 31	BKS: Standing order	1,470		18,335 O/D
January 31	Bank charges	840		19,175 O/D

Cash Book (Bank Column) for January 2022 is as follows:

Date	Details	Amount	Date	Details	Amount
2022			2022		
January 16	M. Francis	7,320	January 1	Balance b/d	25,985
January 21	Kinuthia S.	9,990	January 8	M. David	3,660
January 31	N H Simon	4,800	January 20	K.B. Nick	6,240
January 31	Balance c/d	<u>28,475</u>	January 30	A. Rao	<u>14,700</u>
		<u>50,585</u>			<u>50,585</u>

Required

- i. Updated Cash Book (5 marks)
  - ii. Bank Reconciliation Statement as on 31<sup>st</sup> January 2022 (10 marks)
  - iii. Outline five benefits of preparing a Bank Reconciliation Statement to a proprietor. (5 marks)
- b. Justify the preparation of Journal Book as the first book in recording transactions in a business organization. (5 marks)

**QUESTION FOUR (25 MARKS)**

The following is a Trial Balance from the books of Mr. Axim, a Sole Proprietor as on 31<sup>st</sup> December 2021.

Details	Dr (Kshs)	Cr (Kshs)
Stock (1 <sup>st</sup> January 2021)	50,000	
Freehold premises	240,000	
Bills receivable	30,000	
Purchases	280,000	
Salaries	35,000	
Sales		520,000
Fixtures and Fittings	25,000	
Discount allowed	7,500	
Discount received		4,500
Plant and Machinery	140,000	
Rates	5,600	

Advertising	10,400	
Insurance	3,800	
General expenses	7,200	
Provision for bad debts		1,800
Debtors	59,000	
Bill payables		15,000
Creditors		43,000
Bank overdraft		18,600
Bad Debt	1,000	
Drawings	6,000	
Capital		300,000
	<u>902,900</u>	<u>902,900</u>

Additional information;

- i. Provides for depreciation on Plant and Machinery at 10% per annum on Fixtures and Fittings at 15% per annum
- ii. Provide for Bad Debt at 4% on Debtors
- iii. Prepaid Insurance amounts to Kshs 500
- iv. Rates accrued amounts to Kshs 400
- v. Closing stock was valued at Kshs 60,000
- vi. During the year, Mr. Axim took goods worth Kshs 2,000 for his personal use.

Required

- a. Statement of Comprehensive Income for the year ended 31<sup>st</sup> December 2021. (15 marks)
- b. Statement of Financial Position as at 31<sup>st</sup> December 2021. (10 marks)

#### **QUESTION FIVE (25 MARKS)**

- a. Describe the factors that may cause differences between Bank Statement balances and Cash Book (Bank Column) balance. (10 marks)
- b. Accounting has developed over the years as a field of study. Distinguish between any two of the main branches of this field of study. (10 marks)
- c. Describe the role of accounting in the society. (5 marks)