



MURANG'A UNIVERSITY COLLEGE

(A Constituent College of Jomo Kenyatta University of Agriculture and Technology)

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

MAIN CAMPUS

UNIVERSITY EXAMINATIONS

ORDINARY EXAMINATIONS

2014/2015 ACADEMIC YEAR

YEAR ONE SEMESTER ONE EXAMINATIONS

DIPLOMA IN BUSINESS MANAGEMENT (DBM)

COURSE CODE: DAB 1111

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 19TH AUGUST 2015

TIME: 2 HOURS

INSTRUCTIONS TO THE CANDIDATES

THIS PAPER CONSIST OF FOUR QUESTIONS

Question one (1) is Compulsory

Answer Any Other Two (2) Questions

MRUC observes ZERO tolerance to examination irregularities

This paper consists of 4 printed pages. Please turn over. ⇨

QUESTION ONE

The following trial balance has been extracted from the ledger of Herbert Howell, a sole trader, as at 31 May 2014, the end of his most recent financial year.

Herbert Howell

Trial Balance As At 31 May 2014

	Dr £	Cr £
Property at cost	90,000	
Equipment at cost	57,500	
Stock as at 1 June 20X8	27,400	
Purchases	214,320	
Sales		405,000
Discounts allowed	3,370	
Discounts received		4,420
Wages and salaries	52,360	
Bad debts	1,720	
Loan interest	1,560	
Carriage out	5,310	
Other operating expenses	38,800	
Trade debtors	46,200	
Trade creditors		33,600
Cash on hand	151	
Bank overdraft		14,500
Drawings	28,930	
13% loan		12,000
Capital, as at 1 June 20X8	<u>567,621</u>	<u>98,101</u>
		<u>567,621</u>

The following additional information as at 31 May 20X9 is available:

- (a) Stock as at the close of business was valued at £25,900.
- (b) Depreciation for the year ended 31 May 20X9 has yet to be provided as follows:

Property - 1% using the straight-line method

Equipment - 15% using the straight-line method

- (c) Purchases include goods valued at £1,040, which were withdrawn by Mr Howell for his own personal use.

Required:

- a) Prepare Mr. Howell's trading and profit and loss account for the year ended 31 May 2014
(12Marks)
- b) Prepare Mr. Howell's balance sheet as at 31 May 2014.
(8Marks)

(30 marks)

QUESTION TWO

- a) A three-column cashbook is to be written up from the following details, balanced off, and the relevant discount accounts in the general ledger shown.

19x8

Mar	1	Balances brought forward: Cash £230; Bank £4,756.
“	2	The following paid their accounts by cheque, in each case deducting 5 percent discounts: R Burton £140; E Taylor £220; R Harris £800.
“	4	Paid rent by cheque £120.
“	6	J Cotton lent us £1,000 paying by cheque.
“	8	We paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: N Black £360; P Towers £480; C Rowse £300.
“	10	Paid motor expenses in cash £44.
“	12	H Hankins pays his account of £77, by cheque £74, deducting £3 cash discount.
“	15	Paid wages in cash £160.
“	18	The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston £260; R Wilson & Son £340; H Winter £460.
“	21	Cash withdrawn from the bank £350 for business use.
“	24	Cash Drawings £120.
“	25	Paid T Briers his account of £140, by cash, deducting £7 cash discount.
“	29	Bought fixtures paying by cheque £650.
“	31	Received commission by cheque £88. (10marks)

- b) A cashier in a firm starts with £2,000 in the month of March (that is the cash float). In the following week, the following payments are made:

	£
1 st March – bought stamps for	80
2 nd March – paid bus fare for	120
2 nd March – cleaning materials	240
3 rd March – bought fuel	150
3 rd March – cleaning wages	300
4 th March – bought stamps	200
4 th March – paid L. Thompson (creditor)	400
5 th March – fuel costs	150

On the 5th of March the cashier requested for a refund of the cash spent and this amount was reimbursed back.

Required:

Prepare a detailed petty cash book showing the balance to be carried forward to the next period and the relevant expense accounts, as they would appear on the General Ledger.

(10marks)

QUESTION THREE

The following transactions took place during the month of May:2003

May	1	Started firm with capital in cash of £250.
“	2	Bought goods on credit from the following persons: R Kelly £54; Pcombs £87; J Role £25; D Mobile £76; I. Sims £64.
“	4	Sold goods on credit to: C Blanes £43; B Long £62; F Skin £176.
“	6	Paid rent by cash £12.
“	9	C Blanes paid us his account by cheque £43.

- “ 10 F Skin paid us £150 by cheque.
- “ 12 We paid the following by cheque: J Role £25; R Kelley £54.
- “ 15 Paid carriage by cash £23.
- “ 18 Bought goods on credit from P Combs £43; Mobile £110.
- “ 21 Sold goods on credit to B Long £67.
- “ 31 Paid rent by cheque £18.

Required prepare the relevant accounts and a trial balance (20marks)

QUESTION FOUR

The following are extracts from the cashbook and the bank statement of J Richards. You are required to:

- a) Write the cashbook up to date, and state the new balance as on 31 December 2002, and
- b) Draw up a bank reconciliation statement as on 31 December 2002.

Cashbook					
2002	Dr	£	2002	Cr	£
Dec 1	Balance b/d	1,740	Dec 8	A Dailey	349
Dec 7	J Map	88	Dec 15	R Mason	33
Dec 22	J Cream	73	Dec 28	G Small	115
Dec 31	K Wood	249	Dec 31	Balance c/d	1,831
Dec 31	M Barrett	178			
		<u>2,328</u>			<u>2,328</u>

Bank Statement

2002		Dr	Cr	Balance
		£	£	£
Dec 1	Balance b/d			1,740
Dec 7	Cheque		88	1,828
Dec 11	A Dailey	349		1,479
Dec 20	R Mason	33		1,446
Dec 22	Cheque		73	1,519
Dec 31	Credit transfer: J Walters		54	1,573
Dec 31	Bank charges	22		1,551

(20marks)

THE END.....