



MURANG'A UNIVERSITY COLLEGE

(A Constituent College of Jomokenyatta University of Agriculture and Technology)

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

MAIN CAMPUS

UNIVERSITY EXAMINATIONS

ORDINARY

2015/2016 ACADEMIC YEAR

YEAR ONE SEMESTER ONE EXAMINATIONS

**DIPLOMA IN BUSINESS MANAGEMENT & CERTIFICATE IN BUSINESS MANAGEMENT
(DBM & CBM)**

COURSE CODE: DAB 1111/CIB 0103 COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 30TH JULY 2016

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 3 printed pages. Please turn over. ⇒

QUESTION ONE

- a) Explain five qualities of a good financial accounting statement. (5marks)
- b) Discuss any five Limitations of financial accounting. (5marks)
- c) Differentiate between financial accounting and cost and management accounting. (10marks)
- d) Define the term 'accounting standards' and briefly state their purpose. (5marks)
- e) Define source documents and explain any four source documents used in recording business transactions. (5marks)

QUESTION TWO

- a) Prepare the journal entries necessary to record the following items:
 - 2013 May 1 Bought a motor vehicle on credit from Motors Ltd for £6,790.
 - 2013 May 3 A debt of £34 owing from N Smart was written off as a bad debt.
 - 2013 May 8 Furniture bought by us for £490 was returned to the supplier Wood Offices, as it was unsuitable. Full allowance will be given us.
 - 2013 May 12 we are owed £150 by W Hayes. He is declared bankrupt and we received £39 in full settlement of the debt.
 - 2013 May 14 we take £45 goods out of the business stock without paying for them. (4marks)
- a) From the above information (3 a) post the items to the relevant accounts in the sales ledger. (4marks)
- b) Transfer the information in (b) above to the sales account in the General Ledger. (2marks)
- c) Explain any five types of accounting errors. (5marks)
- d) Explain five reasons for preparing control accounts. (5marks)

QUESTION THREE

Mrs. Ruth Wanjiku commenced trading as a wholesaler stationer on 1 May 2014 with a capital of £5,000.00 with which he opened a bank account for his business.

During May the following transactions took place.

- May 1 Bought shop fittings and fixtures from store fitments Ltd for £2,000.00?
- May 2 Purchased goods on credit from Abel £650.00
- May 4 Sold goods on credit to Bruce £700.00
- May 9 Purchased goods on credit from Green £300.00
- May 11 Sold goods on credit to Hill £580.00
- May 13 Cash sales paid into bank account £200.00
- May 16 Received cheque from Bruce in settlement of his account

May 17	Purchased goods on credit from Kay £800.00
May 18	Sold goods on credit to Nailor £360.00
May 19	Sent Cheque to Abel in settlement of his account
May 20	Paid rent by cheque £200.00
May 21	Paid delivery expenses by cheque £50.00
May 24	Received from Hill £200.00 on account
May 30	Drew cheque for personal expenses £200.00 and assistant wages £320.00
May 31	Settled the account of Green.

Required

- a) Record the transactions in the books of prime entry. (5marks)
- b) Post the entries in the ledger accounts. (5marks)
- c) Balance the ledger accounts where necessary. (5marks)
- d) Extract a trial balance as at 31 May 2014. (5marks)

TOTAL: 20marks

QUESTION FOUR

- a) Enter the following transactions in their appropriate asset, capital and liability accounts to complete a double entry in the books of Richard Leakey for the month of June 2014.

June	1	Started business with £50,000 in the bank.	
“	2	Bought motor van paying by cheque £12,000.	
“	5	Bought Fixtures £4,000 on credit from Office Masters Ltd.	
“	8	Bought a van on credit from Motor Cars Ltd £8,000.	
“	12	Took £1,000 out of the bank and put it into the cash till.	
“	15	Bought Fixtures paying by cash £600.	
“	19	Paid Motor Cars Ltd by cheque £8000.	
“	21	A loan of £10,000 cash is received from J Marcus.	
“	25	Paid £8,000 of the cash in hand into the bank account.	
“	30	Bought more Fixtures paying by cheque £3,000.	(10marks)

- b) Close the above accounts and prepare a trial balance. (7marks)

- c) Highlight the pertinent data that should be provided in a statement of financial position. (3marks)

(TOTAL: 20marks)

THE END.....