



MURANG'A UNIVERSITY COLLEGE

(A constituent college of Jomo Kenyatta University of Agriculture and Technology)

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

DIPLOMA IN BUSINESS MANAGEMENT

UNIT TITLE: INTRODUCTION TO FINANCIAL ACCOUNTING

UNIT CODE: DAB 1111

END OF SEMESTER ONE EXAM

DATE:

TIME: 3 HOURS

INSTRUCTIONS:

1. Answer any FIVE questions
2. All Questions carry equal marks

1. P. Ndeli retired on 30 June 2013. He was given a pension of sh. 216,500 . With this money he started a business on 1 august 2013. His transactions were as follows

August 1	Started business with sh 216,500 cash
August 2	Opened a bank account with sh 168,000
August 4	Paid rent sh 72000 by cheque
August 8	Bought furniture sh 24000 by cheque
August 15	Purchased goods sh 19500 by cheque
August 18	Withdrew sh 3500 from the bank for business use
August 21	sold goods for cash sh 28800
August 23	Deposited sh 42300 into the bank
August 25	Purchased goods from mbulu on credit sh 21000
August 26	sold goods by cheque sh36000
August 27	sold goods on credit to Kongo sh 14300

August 28 Paid wages in cash sh 7400

August 29 Paid transport in cash sh 2400

August 30 Paid electricity in cash sh 4800

August 30 Received in cash sh 13800 from Kongo after deducting discount

August 31 Paid insurance sh 15000 by cheque

August 31 Paid Mbulu sh 20000 by cash after deducting discount for goods purchased from him

Required

- a) Record the relevant transactions in a three column cashbook (12marks)
- b) Write up all the ledger accounts and bring down the balances (8marks)

2a. Explain why it is necessary to prepare bank reconciliation (4marks)

2b. the following information was extracted from the books of spl traders on 31 December 2013

1. Cash book showed a credit balance of sh 10480
2. Bank statement showed a credit balance of sh 3800
3. Cheques totaling sh 3060 returned by his bank as “refer to drawer” had not been entered in his cash book
4. Ledger fees sh 1800 and cheque book charges sh 240 debited by the bank had not been entered in cash book
5. Cheques totaling sh26100 received from debtors and lodged on 31 December were credited by the bank on 4th January 2013
6. Payments by Cheque amounting to sh49380 to creditors during the month of December were not reflected in the bank statement
7. Dividends amounting to sh2100 were received and credited by the bank but no entry was made in the cash book
8. A standing order of sh 6000 made to the bank to pay his landlord had not been recorded in the cash book

Required

- i. Update the cash book (10marks)
 - ii. Prepare a bank reconciliation statement (6marks)
3. The following information was extracted from the books of PATZO traders on 30th june 2013

	Sh
Cash in hand	1,200
Cash at bank	1 1,000
Stock (1.7.2012)	21,000
Debtors	8,000
Creditors	1 0,000
Returns inwards	500
Sales	56,000
Purchases	20,500
Capital	14,900

Salaries	4,000
Water& electricity	600
Postage	200
Drawings	900
Stock (30.6.2013)	13500
Furniture	7,500
Motor van	35,000
Loan	30,000
Rent received	1,200
Rent paid	1,700

Required

- a) A trial balance as at 30.6.2013 (4marks)
 - b) A trading profit & loss account for the year (10marks)
 - c) Balance sheet as at that date (6marks)
4. Give a brief definition of the following items and for each indicate its treatment in the books of account.
- a) Capital expenditure
 - b) Revenue expenditure
 - c) Prepaid expenses
 - d) Accrued expenses
 - e) Accrued income

The following was trial balance was extracted from the accounting records of S. Okatchas at 31st December 2012

	Dr Sh	Cr sh
Capital		250,000
Stock	25,000	
Plant & machinery	250,000	
Cash in hand	6,000	
Cash at	30,000	
Debtors	55,000	
Creditors		46,600
Returns inwards	40,000	
Sales		600,000
Purchases	360,000	
Salaries	60,000	
Water&electricity	8,600	
Postage	7,500	
Motor van	80,000	
Provision for depreciation (plant)		20,000
Provision for depreciation (motor van)		16,000
Returns outwards		20,000
Discounts	5,000	4,000

Carriage inwards	2,500	
Carriage outwards	3,000	
Bad debts	1,500	
General expenses	23,500	
Provision for bed debts		<u>1,000</u>
Totals	<u>957,600</u>	<u>957,600</u>

Additional information

1. Closing stock was valued at sh 22,500
2. Depreciation is to be charged at 10% of plant and 20% of motor van
3. accrued general expenses were sh 3,000 and prepaid electricity was sh 1000

Required

a) A trading profit & loss account for the year (10 marks)

b) Balance sheet as at that date (10 marks)

6a) Explain FIVE uses of financial accounting information (10 marks)

- c) The following transactions were extracted from the accounting records of Paddy for the month of August 2012

August 1 credit purchase from Ben sh 15,000

August 2 credit purchase from: Kings sh 3,000, Martin 3500, Cindy sh 1500

August 8 credit purchase from: Ben sh 5,000, Martin 3200,

August 12 goods returned to: Kings sh 500, Cindy sh 350

August 15 credit purchase from: Kings sh 3,800, Martin 2500,

August 20 goods returned to: Ben sh 300, Martin sh 250

August 25 credit purchase from: Kings sh 2,900,

Required

- i. Purchases journal (8 marks)
- ii. Returns outwards journal (2 marks)



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UNIT TITLE: INTRODUCTION TO FINANCIAL ACCOUNTING

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END OF SEMESTER ONE EXAM (SUPPLEMENTARY)

Date: 16 DECEMBER 2013

TIME: 3 HOURS

INSTRUCTIONS:

1. Answer any FIVE questions
2. All Questions carry equal marks

1a) Explain FIVE users of financial accounting information (10marks)

b) on 31st December 2012 the balance as shown by the cash book was sh 25370 whereas the bank statement showed a credit balance of 25670. Comparison of the cash book with the bank statements revealed the following:

1.cheques not presented for payment sh 12,340

2.cheques paid into the bank but not credited by the bank sh 12160

3.Items shown in the bank statement but not yet entered in the cash book were:

a) Bank charges 240

b) Standing orders 460

c)Dividends 820

Required

- i. Adjusted cash book(5marks)
- ii. Bank reconciliation statement(5marks)

2a) James runs a shop at Thika.On 1st January 2012 his total assets and liabilities including personal were as follows:

Business premises

600,000

Dwelling house	400,000
Delivery van	70,000
Cash in the till	2,000
Trading stock	285,000
Personal bank account	14,000
• Business bank account	46,000
Shop fittings	100,000
House furniture	56,800
Personal clothing	14,800
Garden shed	52,000
Personal car	40,800
Loan	30,000
Creditors	31,000

Required

Prepare a balance sheet (12marks)

b) Explain the following terms

- i. Real accounts
- ii. Nominal accounts
- iii. Balancing off accounts
- iv. Personal accounts

(8marks)

3. Wamby ltd sales records were as follows for January 2013

Jan 1 sold goods worth sh 1,000,000 to mrembo invoice no 002

Jan 4 sold goods worth sh 4,000,000 to xyz traders invoice no 003

Jan 5 sold goods worth sh 200,000 to odhiambo invoice no 004

Jan 6 sold goods worth sh 2,000,000 to Hamisi invoice no 006

Jan 9 sold goods worth sh 3,000,000 to odhiambo invoice no 007

Jan 4 sold goods worth sh 2,000,000 to xyz traders invoice no 009

Jan 9 sold goods worth sh 500,000 to odhiambo invoice no 010

Jan 6 sold goods worth sh 400,000 to Hamisi invoice no 011

Required

Prepare a sales day book (8marks)

b) The following balances were extracted from the books of zawadi enterprises as at 31st December 2012

Sales	900,000
Water	38,800
Purchases	500,000
Carriage inwards	2,000
Carriage outwards	20,100
Salaries and wages	352,000
Returns inwards	12,200
Bad debts	5,000
Debtors	325,000
Office furniture	200,000
Electricity	24,000
Opening stock	96,700
Purchases Returns	13,400
Rent received	26,000
Discount received	2,000

Additional information

- i. Closing stock was valued at sh 200,000
- ii. Depreciation on furniture is at 20% per annum
- iii. Prepaid rent was sh 2000

Required

Trading profit and loss account for the year ended 31 December 2012 (12marks)

4. On 1 June 2013 the balance in the bank account of Omondi amounted to sh 7,000,000 while the cash in hand was 3,500,000. During the month of June, the following transactions were entered into

June 3 paid motor vehicle expenses by cheque sh 500,000

June 4 received payment by cheque from credit customers as follows

Name	receipt	discount
Mwangi	500,200	40000
Gitau	1,000,000	150,000
Wangari	2,000,000	20,000
wanjau	1,500,000	200,000

June 9 paid rent & rates by cheque sh 3,200,000

June 10 cash sales sh 27,000,000

June 12 made payment to suppliers by cheque as follows

Name	receipt	discount
Peris	2,000,000	240,000
Eunice	1,800,000	200,000

June 13 deposited sh 10,000 to the bank

June 14 withdrew sh 4,000,000 for personal use

June 15 paid electricity by cheque sh 200,000

Required

Prepare a three column cash book (20marks)

5. S.m.paddy started business on on 1st January 2012. His transactions during the month were as follows

Jan 1 opened a bank account and deposited sh 40,000 and cash in hand was 10,000

Jan 3 paid rent by cash sh 3,500

Jan 4 purchased on credit goods worth 36,000 from jamii enterprises

Jan 6 sold goods worth sh 58,000 on cash

Jan 7 purchased office furniture sh 2,700 and paid cheque

Jan 10 purchased goods worth 200,000 from kolwa

Jan 12 sold goods worth sh 15,000 on credit to matunda

Jan 15 received a cheque of sh 7,000 fro matunda

Jan 18 purchased goods worth 8,900 from kolwa

Jan 20 paid jamii sh 16,000 by cheque

Jan 22 withdrew sh 5,000 from the bank for personal use

Jan 28 sold goods worth sh 5,600 on cash

Jan 29 paid salaries sh 4,700 in cash and sh5,000 by cheque

Jan 30 sold goods worth sh 5,300 on credit to matunda

Required

- a) Entered the above transactions in the ledger accounts
- b) Balance off the accounts and extract a trial Balance (20marks)

6. Distinguish between

- a) Discount allowed and discount received
- b) Current assets and current liabilities
- c) Accrued income and accrued expenses
- d) Bad debts and provision for bad debts