



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

2015/2016 ACADEMIC YEAR

YEAR ONE SEMESTER ONE EXAMINATIONS

DIPLOMA IN BUSINESS MANAGEMENT (DBM)

COURSE CODE: DAB 1111 COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 16TH DECEMBER, 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

a) Accounting information should be prepared to serve the purpose intended to the users.

Discuss **Five** users of such information. (10marks)

b) Write up the asset, capital and liability accounts in the books of M Crash to record the following transactions:

2013

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)

c) Prepare ledger accounts and a trial balance from the following transactions of the books of S Pink:

2014.

March	1	Started business with cash £1,000.
"	2	Bought goods on credit from A Cliks £296.
"	3	Paid rent by cash £28.
"	4	Paid £1,000 of the cash of the firm into a bank account.
"	5	Sold goods on credit to J Simpson £54.
"	7	Bought stationery £15 paying by cheque.
"	11	Cash sales £49.
"	14	Goods returned by us to A Cliks £17.
"	17	Sold goods on credit to P Lutz £29.
"	20	Paid for repairs to the building by cash £18.
"	22	J Simpson returned goods to us £14.
"	27	Paid A Cliks by cheque £279.
"	28	Cash purchases £125.
"	29	Bought a motor vehicle paying by cheque £395.
"	30	Paid motor expenses in cash £15.
"	31	Bought fixtures £120 on credit from R west.

(10marks)

TOTAL:30 MARKS

QUESTION TWO

- a) From the following trial balance of P Boones draw up a trading and profit and loss account for the year ended 30 September 2012, and a balance sheet as at that date.

	Dr	Cr
	£	£
Stock 1 October 19x8	23,680	
Carriage outwards	2,000	
Carriage inwards		3,100
Returns inwards	2,050	
Returns outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures and fittings	3,500	
Debtors	38,960	
Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital		126,360
	<hr/>	<hr/>
	<u>332,890</u>	<u>332,890</u>

(12marks)

- b) Explain four (4) source documents required for recording business transactions.

(8marks)

QUESTION THREE

- (a) Define and explain the relevance of the following accounting concepts.

- i. Neutrality
- ii. Prudence
- iii. Accruals
- iv. Substance over form
- v. Consistency

(10 marks)

b) Explain three purposes of preparing bank reconciliation statement (3marks)

c) Prepare a bank reconciliation statement, after providing the cashbook up to date, ascertaining the balance on the bank statement, from the following as on 31 March 2013:

(7marks)

	£
Cash at bank as per bank column of the cashbook (Dr)	38,960
Banking made but not yet entered on bank statement	6,060
Bank charges on bank statement but not yet in cashbook	280
Un presented cheques C Clarke	1170
Standing order to ABC Ltd entered on bank statement, but not in cash book	550
Credit transfer from A Wood entered on bank statement, but not yet in cashbook	1,890

Total: 20 marks

QUESTION FOUR

a) Explain any five types of errors that are visible in books of accounts and needs to be corrected once detected. (10marks)

b) You are to show the journal entries necessary to record the following items:

- 2003 May 1 Bought a motor vehicle on credit from Motors Ltd for £6,790.
- 2003 May 3 A debt of £34 owing from N Smart was written off as a bad debt.
- 2003 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.
- 2003 May 12 we are owed £150 by W Hayes. He is declared bankrupt and we received £39 in full settlement of the debt.
- 2003 May 14 we take £45 goods out of the business stock without paying for them.
- 2003 May 28 Some time ago we paid an insurance bill thinking that it was all in respect of the business. We now discover that £76 of the amount paid was in fact insurance of our private house.
- 2003 May 28 Bought Machinery £980 on credit from Xerox Machines Ltd.

(10marks)

Total: 20 marks

THE END.....