

MURANG'A UNIVERSITY COLLEGE
SUPPLEMENTARY EXAMINATIONS: 2015/2016
EXAMINATIONS FOR BACHELOR OF COMMERCCE
HBC 2101: INTRODUCTION TO ACCOUNTING I

TIME: 2 HOURS

INSTRUCTIONS: Answer Question One and Any Other Two Questions

QUESTION ONE

- a. Define the following terms as used in financial accounting
- i. Asset
 - ii. Liability
 - iii. Capital (6 Marks)
- b. Describe the accounting equation and explain its importance (4 Marks)
- c. By giving appropriate examples, explain the following type of errors
- i. Error of omission
 - ii. Error of Commission
 - iii. Complete reversal of entries
 - iv. Error of Original entry
 - v. Compensating Errors (10 Marks)
- d. Waiguru started a sole trader business on 1st November 2015. During the month, the following transactions were recorded.

November 1	Started business with capital in cash sh. 1,000,000.
“ 2	Paid rent by cash sh.100,000.
“ 3	a loan from Mwau sh.5,000,000 by cheque.
“ 4	Makau for consultancy by cheque sh. 650,000.
“ 5	Made Cash sales amounting to sh. 980,000.
“ 7	Received a cheque from Wanja, a debtor amounting to sh. 620,000.
“ 9	Burudi in cash sh. 220,000.
“ 11	Cash sales paid direct into the bank sh. 530,000.
“ 15	Received from Muraya sh. 650,000 cash.
“ 16	Transferred sh. 500,000 cash into the bank.
“ 19	Mwau sh. 1,000,000 by cheque.
“ 22	Cash sales paid direct into the bank Sh. 660,000.
“ 26	motor expenses by cheque sh.120,000.
“ 30	Withdrew sh.1,000,000 cash from the bank for business use.
“ 31	Paid wages in cash sh. 970,000.

Required

A two column cash book

(10 Marks)

QUESTION TWO

- a. State and explain the four causes of Depreciation (8 Marks)
b. The following balances were extracted from the ledgers of H. Wanyonyi a sole trader

	Sh.000
Sales	47,600
Purchases	22,850
Office expenses	1,900
Insurance	700
Wages	7,900
Rates	2,800
Heating and Lighting	1,200
Telephone	650
Discounts allowed	1,150
Discount received	550
Opening stock	500
Returns inwards	200
Returns outwards	150
Premises	40,000
Plant and Machinery	5,000
Motor Vehicles	12,000
Debtors	12,500
Bank balance	7,800
Creditors	3,400
Loan-long term loan	10,000
Capital	60,000
Drawings for the year	4,000
Closing stock	550

Required: Prepare a trial balance

(12 Marks)

QUESTION THREE

The following information was derived from the books of Amina Abdala a sole trader on 31st March 2016

	sh.
Stock 1 April 2015	1,816,000
Sales	9,234,000
Purchases	6,918,500
Carriage inwards	42,000
Carriage outwards	157,000
Returns outwards	64,000

Wages and salaries	1,024,000
Rent and rates	301,500
Communication expenses	62,400
Commissions payable	21,600
Insurance	40,500
Sundry expenses	31,800
Buildings	2,000,000
Debtors	1,432,000
Creditors	816,000
Fixtures	285,000
Cash at bank	297,000
Cash in hand	11,500
Drawings	762,000
Capital	5,088,800

Additional information

Stock as at 31st March 2016 was valued at sh.2,239,000

Building and furniture are to be depreciated at a rate of 10% and 12% respectively

Required

- a. Statement of comprehensive income for the year ended 31st March 2016 (12 marks)
- b. Statement of financial position as at 31st March 2016 (8 Marks)

QUESTION FOUR

- a. Highlight any four reasons why Accountants should observe International Accounting Standards (8 Marks)
- b. Using practical accounting transactions, explain the following accounting concepts
 - i. The going concern concept (2Marks)
 - ii. The accruals concept (2 Marks)
 - iii. Prudence concept (2 Marks)
 - iv. The money measurement concept (2 Marks)
 - v. The separate valuation principle: (2 Marks)
 - vi. Substance over form: