



**MURANGA UNIVERSITY COLLEGE**

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

**MAINCAMPUS**

**ORDINARY UNIVERSITY EXAMINATIONS**

**2014/2015 ACADEMIC YEAR**

**FIRSTYEAR FIRST SEMESTER EXAMINATIONS**

**FOR THE DEGREE**

**OF**

**BACHELOR OF COMMERCE**

**COURSE CODE: HBC 2101**

**COURSE TITLE: INTRODUCTION TO FINANCIAL ACCOUNTING**

**DATE: FRIDAY; APRIL 24, 2015**

**TIME: 2.00 P.M.-5.00 P.M.**

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**INSTRUCTIONS TO CANDIDATES**

Question ONE (1) is compulsory  
Answer TWO (2) questions

**MRUC observes ZERO tolerance to examination irregularities**

**COMPULSORY QUESTION (30 MARKS)**

## QUESTION ONE

(a) Briefly explain the;

- (i) Difference between Real accounts and nominal accounts (2 Marks)
- (ii) Trading discounts and cash discounts (2 Marks)
- (iii) Accruals and prepayments (2 Marks)
- (iv) Error of principle and error of complete reversal of entry (2 Marks)
- (v) Journal and ledger (2 Marks)

(b) The following is the Trial Balance of Mawazo Traders, prepared by one of the workers, as at July 31, 2014

Dr	Cr	
ShSh		
Purchases/Sales	4,820,000	7,430,000
Motor Vehicle at cost	2,650,000	
Furniture and Fittings at cost	80,000	
Carriage inwards	32,900	
Discounts	45,000	69,000
Returns	20,000	32,400
Stock August 1, 2013	500,000	
Carriage outwards	62,000	
Salaries and Wages	28,000	
18% Sacco Loan		960,000
Drawings		80,000
Advertising	48,000	
Rent and Rates		39,600
Interest on Loan		87,000
Trade Debtors		720,000
Freehold Land and Building at cost	1,280,000	

Cash in hand		35,000
Bad Debts	23,000	
Trade Creditors		1,642,000
General expenses	18,500	
Provision for Bad Debts August1,2013		25,000
Provision for Depreciation;		
Motor Vehicle		150,000
Fixtures and Fittings		10,000
Capital		1,596,000
Cash at Bank	<u>1,346,000</u>	-
	<u>11,915,000</u>	<u>11,915,000</u>

*Additional Information;*

- (a) Stock on July 31,2014 was valued at sh 640,000
- (b) Included in the general expenses was sh3,000 which was taken by Mawazo's son to attend a football match
- (c) Sh 12,900 for Advertising was still due and Rent had been prepaid by sh 6,900
- (d) A further amount of Sh 13,000 were to be written off as bad debts
- (e) Depreciation on fixed assets were to be provided for as follows;
  - Fixtures and fittings 12% on straight line basis
  - Motor vehicle 20% on reducing balance basis
- (f) Provision for bad and doubtful debts to be adjusted to 5% of the debtors

**Required**

- (i) Trading ,profit and loss account for the year ended July 31,2014 (10 Marks)
- (ii) Balance Sheet as at July 31,2014 (10 Marks)

**TOTAL;30 MARKS**

**ANSWER ANY TWO QUESTIONS.**

**QUESTION TWO**

The following are the bank columns of Makombo's Cash book and the bank account statement for the month of September 2014

DrCash bookCr

2013	Details	sh2013	Detailssh
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Sept 1 bal b/d		67,530		Sept 2	wages	10,000
„ 4	G.Gakuru	15,200	„ 5	Karindu	23,100	
„ 7	Magana	21,500	„ 10	Odhiambo	15,200	
„ 12	Juma	43,930	„ 18	Kenzu	9,000	
„ 19	Nderitu	18,600	„ 22	Rent	28,300	
„ 25	Umonja	5,000	„ 22	Insurance	7,500	
„ 26	Kanja 13,400		„ 27	Kararu	37,600	
„ 28	Otieno	16,450	„ 28	Munuve	14,000	
„ 29	Kilonzo	39,680	„ 30	bal c/d	<u>134,190</u>	
		<u>241,290</u>				<u>241,290</u>
Oct 1	Bal. b/d	134,190				

**Bank Statement as at September 2014**

Date 2013	Details	Debit sh	Credit sh	Balance sh
September 1	Bal. B/d			71,630
„ 8	Cheque deposit		15,200	86,830
„ 9	Cheque	23,100		63,730
„ 12	Cheque deposit		21,500	85,230
„ 20	Cheque	10,000		75,230
„ 20	Cheque	4,100		71,130
„ 23	Cheque deposit		43,930	115,060
„ 23	Cheque deposit		12,400	127,460
„ 26	Dishonoured cheque	24,000		103,460
„ 27	Cheque deposit		5,000	108,460
„ 27	Cheque deposit		13,400	121,860
„ 29	Cheque	7,500		114,360
„ 29	Bank Charges	1,200		113,160
„ 29	Cheque	28,300		84,860
„ 29	Cheque deposit		16,450	101,310

**Required**

- (i) Makombo's updated cash book (7marks)  
(ii) Bank reconciliation statement as at September 30, 2014 (13 marks)

**(TOTAL; 20 Marks)****QUESTION THREE**

Mr. Ongele, a sole trader had the following assets and liabilities as at January 1, 2014;

Sh	
Cash in hand	8,400
Bank overdraft	434,900
Premises	1,750,000
Delivery van	2,460,000
Stock	820,000
Creditors: Nthuni	250,000
Debtors: Chiku	160,000
Mati	540,000

The following transactions took place during the month of January;

- January 2 Purchased goods worth sh 700,000 from Chege on credit.  
,, 4 Cash Sales Sh 620,000.  
,, 5 purchased goods worth sh 850,000 from Nthuni on credit and deposited sh 610,000 into the bank from the cash till.  
,, 8 sold goods to Mugambish 450,000 on credit  
,, 9 Received a cheque of sh 525,000 from Mati in full settlement of his account.  
,, 12 Cash sales paid direct in the bank sh 1670,000.  
,, 18 Withdrew sh 50,000 from the bank and kept it in office for petty expenses.  
,, 19 Settled Nthuni's account by less than 10% discount.  
,, 21 Paid electricity bill in cash sh 20,000.  
,, 24 received a credit note for sh 24,000 from Chege after returning goods defective goods to him.  
,, 25 Cash sales sh 1,300,000  
,, 26 paid Chegesh 676,000 by cheque on account  
,, 27 Both Chiku and Mati cleared their accounts after they were allowed a discount of 5% and 10% respectively.  
,, 28 Bought furniture for sh 380,000 by cheque from M/s Maina's Workshop.  
,, 29 Withdrew sh 45,000 from bank for personal use.

**Required;**

- (i) Determine the opening Capital balance as at Jan 1, 2014 (5 Marks)  
(ii) Record the above transactions in the relevant ledger accounts including a three column cash book. (10 Marks)  
(iii) Trial balance as at January 31, 2014 (5 Marks)

**(TOTAL; 20 Marks)**

**QUESTION FOUR**

(a) Debit or credit the ledgers that are affected by the following transactions;

- (i) Shiru traders bought Furniture on credit from Woodwork Traders (2 Marks)
- (ii) Cheque received for goods sold (2 Marks)
- (iii) Kimani rented a room for business to MrsOtieno (2 Marks)
- (iv) Goods bought were paid for in cash (2 Marks)

(b) Sarakasi Traders maintains a petty cash book on an imprest system with a float of sh 180,000. On June 1, 2013, the cash in hand was sh 27,900. Reimbursements are made on the first day of the month. Transactions for the month of June 2013 were;

September 1 Received the reimbursement.

- .. 2 Bought postage stamps for sh 1,800
- .. 3 Paid bus fare sh 2,000 and bought stationery sh 7,500
- .. 5 paid Kanini's account in the purchase ledger sh 12,000.
- .. 8 Paid bus fare sh 1,500 and paid for office cleaning sh 2,500.
- .. 11 Bought duplicating machine gadget sh 1,400.
- .. 13 Paid for postage sh 4,000.
- .. 15 Reimbursed office messenger travelling expenses sh 1,200
- .. 16 Paid wages sh 16,000 and for window cleaning sh 3,200.
- .. 17 Paid for servicing duplicating machine sh 19,500
- .. 19 Paid for membership in Trade association sh 21,000.
- .. 23 Bought stationery sh 8,000 and paid wages sh 16,000.
- .. 25 Paid bus fare sh 5,000
- .. 28 Bought envelopes sh 1,700
- .. 25 Paid wages sh 18,000

**Required**

A petty cashbook duly balanced including reimbursement for June using suitable appropriate sub-headings (12 Marks)

**(TOTAL; 20 Marks)**