



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

**ORDINARY UNIVERSITY
EXAMINATIONS**

2014/2015 ACADEMIC YEAR

**FIRST YEAR SECOND SEMESTER
EXAMINATIONS**

**FOR THE DEGREE
OF
BACHELOR OF HUMAN
RESOURCE MANAGEMENT**

COURSE CODE: HEH 2101

COURSE TITLE:

**FUNDAMENTALS OF
ACCOUNTING**

DATE: 24TH APRIL, 2015

TIME: 2.00-4.00PM

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer THREE (3) questions

MRUC observes ZERO tolerance to examination irregularities

This Paper Consists of 5 Printed Pages. Please Turn Over.



QUESTION ONE:

- a) The information contained in the financial statements affects the decision making process of users who have an interest in a given firm. Highlight SIX categories of parties interested in accounting information and the nature of information they are interested in.

(12 marks)

- b) Calculate the profit for the year ended 31 December 2011 from the following information

(8 marks)

Non	01.01.2011	31.12.2011
Current		
Assets		
	Ksh	Ksh
Property	20,000.00	20,000.00
Machinery	<u>6,000.00</u>	<u>9,000.00</u>
	<u>26,000.00</u>	<u>29,000.00</u>

Current**Assets:**

Debtors		8,000.00
	4,000.00	
Cash	<u>1,000.00</u>	<u>1,500.00</u>
	<u>5,000.00</u>	<u>9,500.00</u>

Current**Liabilities:**

Creditors	5,000.00	3,000.00
Overdraft	6,000.00	9,000.00
	<u>11,000.00</u>	<u>12,000.00</u>
Net	<u>(6,000.00)</u>	<u>(2,500.00)</u>

Current**Liabilities**

Net Assets	<u>20,000.00</u>	<u>26,500.00</u>
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Additional Information:

Drawings during the year
amounted to Ksh4,500.00

Additional capital introduced by
the owner Ksh5,000.00

(C) Give the journal entries needed to record the corrections of the following.

Narratives are required. (10 marks)

- (a) Extra capital of Ksh. 10,000 paid into the bank had been credited to Sales account.
- (b) Goods taken for own use Ksh. 700 had been debited to General Expenses.
- (c) Private insurance Ksh. 89 had been debited to Insurance account.
- (d) A purchase of goods from C Kelly Ksh. 857 had been entered in the books as Ksh. 587.
- (e) Cash banked Ksh. 390 had been credited to the bank column and debited to the cash column in the cashbook.

QUESTION TWO:

- a) Explain FOUR fundamental Accounting Assumptions that provide a framework for financial reporting. (8 marks)
- b) Explain the nature of the accounting equation (4 marks)
- c) Wilsun is a sole trader. At 30 June 2010 the following balances have been extracted from his books:

	ksh
Sales	47,600.00
Purchases	22,850.00
Office expenses	1,900.00
Insurance	700.00
Wages	7,900.00
Rates	2,800.00

Heating	1,200.00
and	
Lighting	
Telephone	650.00
Discounts	1,150.00
allowed	
Opening	500.00
stock	
Returns	200.00
inwards	
Returns	150.00
outwards	
Premises	40,000.00
Plant and	5,000.00
Machinery	
Motor	12,000.00
Vehicles	
Debtors	12,500.00
Bank	7,800.00
balance	
Creditors	3,400.00
Loan-long	10,000.00
term loan	

Capital	60,000.00
Drawings	4,000.00
for the	
year	
Closing	550.00
stock	

Required:

Construct a trial balance, from the above list of balances. (8 Marks)

QUESTION THREE:

- a) A trial balance provides a prima Facie evidence of arithmetical accuracy in the books, and do not necessarily imply that there are no errors .Explain any SIX types of errors which are not disclosed by the trial balance. Give an illustration in each case. (6 marks)

b) The following Trial Balance was taken from the ledger of Kenko, a sole trader, on 1st January, 2011

	Sh.	Sh.
Capital		40,000
Purchases	26,154	
Sales		36,246
Salaries	4,814	
Opening stock	4,307	
Insuranc	820	
Rent		965
Buildings	25,000	
Furniture	14,500	
Debtors	6,140	
Other	1,060	
expenses		
Creditors		4,638
Commission		<u>946</u>
	<u>82,795</u>	<u>82,795</u>

Adjustments:

1. Salaries due, Sh.350

2. Insurance was paid for one year up to 31st March 2012.
3. Rent received for January 2012, Sh.165.
4. Commission accrued but not yet received, Sh.120.
5. Furniture to be depreciated by 10%.
6. 5% of debtors are doubtful.
7. Stock on 31st December 2011 was valued at Sh.5,008.

Required:

- i) Income statement at 31st December 2011
(7 marks)
- ii) Balance sheet as at 31st December
2011 (7 marks)

QUESTION FOUR:

a. The Owner of a medium sized enterprise in Murang'a County has asked to assist in the management of personal accounts balances in his business. You immediately notice that the firm does not maintain control accounts. Advise the management on the purposes of preparing control accounts.

(4 marks)

b. Valesth Ltd maintains control accounts in its business records. The balances and transactions relating to the company's control accounts for the month of December 2012 are listed below:

Balance at 1
December
12:

Sales ledger	6,185,000 (debit)
	52,500 (credit)
Purchases ledger	16,500 (debit)
	4,285,000 (credit)
Transactions during December 2012:	
Sales on credit	8,452,000
Purchases on credit	5,687,500
Returns inwards	203,500
Returns outwards	284,000
Bills of exchange payable	930,000
Bills of exchange receivable	615,000

Cheques received from customers	7,985,000
Cheques paid to suppliers	4,732,000
Cash paid to suppliers	88,500
Bill payable dishonored	400,000
Charges on bill payable dishonored	10,000
Cash received from credit customers	153,000
Bad debts written off	64,500
Cash discounts allowed	302,000
Bill	88,500

receivable
dishonored

Balances at
31 December
2012:

Sales ledger	44,000 (credit)
Purchases ledger	23,500 (debit)

Required:

Sales ledger control accounts for the month of
December 2012. (8 marks)

Purchases ledger control accounts for the
month of December 2012 (8 marks)

