

MURANG'A UNIVERSITY COLLEGE
SUPPLEMENTARY EXAMINATIONS: 2015/2016
EXAMINATIONS FOR BACHELOR OF SCIENCE IN MATHEMATICS AND
COMPUTER SCIENCE
HRD 2115: ACCOUNTS AND FINANCE

TIME: 2 HOURS

INSTRUCTIONS: Answer Question One and Any Other Two Questions

QUESTION ONE

- a. Briefly explain the four main qualitative characteristics of financial statements (8 Marks)
- b. Explain the informational need of the following users of financial statements
 - i. Government
 - ii. Employees
 - iii. Financial Analysts
 - iv. Public
 - v. Customers
 - vi. Suppliers(6 Marks)
- c. List the steps used Steps in Preparing the Final Accounts in presence of incomplete records (4 marks)
- d. Highlight any four differences between an partnership and a limited company (4 marks)
- e. Shada and Pete have been operating a hardware in Murang'a Town. Their first financial year ended on 31 December 2014.

The following balances were taken from the books on that date:

Capital:	Shada- Sh. 60,000;	Pete - Sh. 48,000.
Partnership salaries:	Shada - Sh. 9,000;	Pete - Sh. 6,000.
Drawings:	Shada - Sh. 12,000;	Pete - Sh. 13,400.

The firm's net profit for the year was Sh. 32,840.

Interest on capital is to be allowed at 10% per year.

Profits and losses are to be shared equally.

Required:

Prepare the firm's appropriation account and the partners' current accounts. (8 Marks)

QUESTION TWO

- a. A cashbook is both a book of original entry and a ledger. Explain (5 Marks)
- b. H. Mwangi started a business on 1st March 2016 and the following transactions were recorded

March 1	Started business with capital in cash sh. 1,000,000.
“ 2	Paid rent by cash sh.100,000.
“ 3	Received a loan from Mwau sh.5,000,000 by cheque.
“ 4	Paid 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	Paid 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	Repaid Mwau sh. 1,000,000 by cheque.
“ 22	Cash sales paid direct into the bank Sh. 660,000.
“ 26	Paid 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

(15 Marks)

QUESTION THREE

Ms. Esther Mwangi has been operating as a sole trader. The following trial balance was extracted from her ledgers as at 31st December 2015

	DR	CR
	Sh. 000	Sh. 000
Sales		138,078
Purchases	82,350	
Carriage	5,144	
Drawings	7,800	
Rent, rates and insurance	6,622	
Postage and stationery	3,001	
Advertising	<u>1,330</u>	
Salaries and wages	26,420	
Bad debts	877	
Provision for bad debts		130
Debtors	12,120	

Creditors		6,471
Cash in hand	177	
Cash at bank	1,002	
Stock as at 1 January 2015	11,927	
Equipment		
At cost	58,000	
Accumulated depreciation		<u>19,000</u>
Capital		<u>53,091</u>
	<u>216,770</u>	<u>216,770</u>

Additional information

- Inventory as at 31st December 2015 was valued at Sh. 13,551,000.
- Accrued rent as at 31st December 2015 was Sh. 210 000.
- Prepaid Rates as at 31st December 2015 were Sh. 880,000.
- Carriage inwards for the year amounted to Sh. 2,211,000
- Equipment is to be depreciated at 15% per annum using the straight line method.
- The provision for bad debts to be increased by Sh. 40, 000

Required:

- Prepare an income statement for the year ended 31st December 2015 (12 Marks)
- Statement of financial position as at 31st December 2015 (8 Marks)

QUESTION FOUR

- Highlight the importance of a trial balance (8 Marks)
- State and explain six errors do not affect the trial balance (12 Marks)