



# **MURANG'A UNIVERSITY OF TECHNOLOGY**

## **SCHOOL OF BUSINESS AND ECONOMICS**

### **DEPARTMENT OF COMMERCE**

#### **UNIVERSITY ORDINARY EXAMINATION**

**2017/2018 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER EXAMINATION FOR THE  
BACHELOR OF COMMERCE  
BACHELOR OF BUSINESS INFORMATION TECHNOLOGY  
BACHELOR OF INFORMATION TECHNOLOGY**

**BCA 100–INTRODUCTION TO FINANCIAL ACCOUNTING**

**DURATION:2 HOURS**

**DATE: 18<sup>TH</sup> DECEMBER, 2017**

**TIME: 2.00 – 4.00P.M**

#### **Instructions to Candidates:**

1. Answer **Question 1** and **Any Other Two** questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

## SECTION ONE - COMPULSORY

### QUESTION ONE

- (a) (i) Distinguish between capital and revenue expenditure giving three examples of each. (5 marks)
- (ii) The following transactions are either capital or revenue expenditure. You are required to indicate against each transaction whether it is a capital expenditure or revenue expenditure.
- 1) Purchase of an extra van. (1 marks)
  - 2) Building extension of the warehouse. (1 marks)
  - 3) Carriage inwards on raw materials. (1 marks)
  - 4) Purchase of fuel cost for the van. (1 marks)
  - 5) Purchase of Machinery for use in the business. (1 marks)
  - 6) Repairs to the van. (1 marks)
  - 7) Purchase of premises. (1 marks)
  - 8) Complete decoration of premises. (1 marks)
  - 9) Cost of repairs to the building. (1 marks)
  - 10) Payment of electricity. (1 marks)
- (b) List and explain errors not revealed by the trail balance. (8 marks)
- (c) List and explain the various uses of accounting information. (7 marks)

## SECTION TWO – ANSWER ANY TWO QUESTIONS

### QUESTION TWO

- (a) The following is a trail balance of Bidii Traders, prepared as at July 31 2017.

	Dr.	Cr.
Purchases/Sales	4,820,000	7,430,000
Moto vehicle at cost	2,650,000	
Furniture and fittings at costs	80,000	
Carriage inwards	32,000	
Discounts	45,000	69,000
Returns	20,000	
Inventory August 1,2016	500,000	

Carriage outwards	62,000	
Salaries and Wages	28,000	
14% Sacco loan		960,000
Drawings	80,000	
Advertising	48,000	
Interest and rates	39,000	
Interest on loans	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 of bad debts		25,000
<b><u>Provision for Depreciation:</u></b>		
• Motor vehicle		150,000
• Furniture and fittings		10,000
Capital		1,596,600
Cash at Bank	1,346,000	
	<b><u>11,915,000</u></b>	<b><u>11,915,000</u></b>

**Additional information:**

- a) Inventory on July 31, 2017 was valued at Sh.640,000
- b) Included in the general expenses was Sh. 3,000 which he took for personal use.
- c) Sh. 12,900 for advertising was still due while rent expenses had been prepaid by Sh. 6,900
- d) Depreciation on fixed assets were provided for as follows:
  - Fixtures and fittings 12% on straight line basis
  - Motor vehicles 20% on reducing balance basis
- (e) Provisions for bad and doubtful debts to be adjusted to 5% of the debtors

**Required:**

- i. An income statement for the year ended July 31 2017. (10 marks)
- ii. A statement of financial position as at March 31,2017. (10 marks)

### QUESTION THREE.

- (a) Discuss reasons for keeping a petty cash book in addition to the main cash book. (5 marks)
- (b) On the 30<sup>th</sup> December 2014, the bank column of Tracy,s cash book showed a debit balance of 15,000/= . The monthly bank statement on the same date showed a credit balance of 29,500/= On checking the cash book with the bank statement it was discovered that the following transaction had not been entered in the cash book.
- Dividends of 2,400 had been paid directly to the bank.
  - A credit transfer of VAT refund from KRA 2,600/= had been collected by the bank.
  - Bank charges of 300/=
  - A direct debit of 700/= from club subscriptions had been paid by the bank.
  - A standing order of 2,000 for Tracy’s loan repayment had been paid by the bank.
  - Tracy’s deposit account balance 14,000/= was transferred into banks current account. A further check revealed the following.
  - Two checks drawn in favour of Tcod 2,500/= and F haddock had been transferred for payment but had not been presented for payment
  - Cash and cheques amounting 6,900 had been paid to the bank on 31<sup>st</sup>December 2014 but were not credited by the bank until January 2<sup>nd</sup> 2015.

#### **Required:**

- Update the cash book. (6 marks)
- Prepare a bank reconciliation statement for month of December 2014. (9 marks)

### QUESTION FOUR

- (a) State four objectives of accounting. (4 marks)
- (b) Mrs. Ongele, a sole trader had the following assets and liabilities on April 1, 2017.

	<b>Sh.</b>
Cash in hand	8,400
Bank overdraft	434,900
Premises	1,750,000
Delivery van	2,460,00
Inventory	820,000
Creditor: Nthuni	250,000
Debtors: Chiku	160,000
Mati	540,000

The following transactions took place during the month of April 2017.

**April 2** - Purchased goods worth Sh. 700,000 from Chege on credit

**April 4**-Cash sales Sh. 620,000

**April 5** - Purchased goods worth Shs. 850,000 from Nthuni on credit and deposited Shs. 610,000 into the Bank from the cash till.

**April 8** - Sold goods to Mugambi Sh. 450,000 on credit.

**April 9**-Received a cheque of Shs. 525,000 from Mati in full settlement of his account.

**April 18**- Withdrew Shs. 50,000 from the bank and kept it in office to make minor.

**April 19** -Settled Nthuris's account by cheque less 10% discount.

**April 21** -Paid electricity bill in cash Sh. 20,000

**April 24**- Received a credit note for Sh. 24,000 from Chege after returning defective goods to him.

**April 25** - Cash sales Sh. 1,300,000

**April 26**- Paid Chege Shs. 676,000 by cheque on account.

**April 26**- Mugambi returned goods worth Sh. 18,000 and was given a credit note for the same.

**April 27** -Bought furniture dealers by cheque from Muchunuku furniture dealers by Cheque.

**April 28**- Withdrew Shs. 4,500 from bank for personal use.

**April 29** -Purchased goods worth Sh. 1,200,000 from Chege on Credit.

**Required:**

- i. Record the above transactions in the relevant ledger accounts including a three column cash book. (10 marks)
- ii. A trial balance as at 30<sup>th</sup> April 2017. (6 marks)