

**MURANG'A UNIVERSITY COLLEGE (MRUC)**  
(A *Constituent* College of Jomo Kenyatta university of Agriculture & Technology)

SCHOOL OF BUSINESS AND ECONOMICS

UNIVERSITY EXAMINATION 2013

FIRST YEAR FIRST SEMESTER EXAMINATION

FOR THE DEGREE OF BACHELOR OF INFORMATION TECHNOLOGY

HPS 2103: FINANCIAL ACCOUNTING

DATE:

TIME: 2 HOURS

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**INSTRUCTIONS**

Answer Question *ONE* and any *OTHER TWO* Questions.

**QUESTION ONE; COMPULSORY QUESTION (30 MARKS)**

- (a) Differentiate between;
- (i) Accounting bases and concepts
  - (ii) Debit note and credit note
  - (iii) Trial Balance and Balance Sheet
  - (iv) Invoice and Delivery note
  - (v) Accrued and prepaid expenses (10 marks)
- (b) Discuss the interests of any *five* external users of Accounts (5 marks)
- (c) Mr. Kimondiu has given you the following balances extracted from his books as at

30<sup>th</sup> September, 2012.

Cash on hand	12,000
Cash in Bank	110,000
Stock 1.09.2012	210,000
Debtors	82,000
Creditors	100,000
Returns Inwards	5,000
Sales	560,000

Purchases	205,000
Capital	149,000
Salaries	40,000
Water and Electricity	5,600
Postage	2,000
Drawings	9,000
Stock 30.9.2012	135,000
Furniture and fittings	75,000
Motor Van	350,000
Loan (ICDC)	300,000
Rent received	12,000
Office Rent	19,500

Additional Information;

- (i) provide a 10% depreciation on Motor Van on cost
- (ii) Bad debts amounted to sh 2,000 while a provision for bad and doubtful debts is 2.5%
- (iii) office rent amounting to sh 2,500 had been paid in advance sh 1,400 water and electricity incurred had not been paid
- (iv) Interest on the outstanding loan amount was 18% p.a but it was not recorded in the books of account

Required;

- i) Prepare his Trading, Profit and Loss Account for the month (8 Marks)
  - ii) Prepare his Balance Sheet as at 30.09.12 (7 Marks)
- (TOTAL 30 Marks)**

**Answer ANY TWO Questions**

**QUESTION TWO**

The following trial balance was extracted from the books of Nyumbani Suppliers Ltd as at 31 March 2012;

	Sh'000'	sh'000'
Issued share capital		
3,000,000 ordinary shares of sh 100 each		360,000
600,000 6% preference shares of sh 100 each		60,000
Share premium accounts		72,000
7% debentures		72,000
Motor Vehicle at cost	270,000	
Goodwill	60,000	

Accumulated depreciation (1.april.2011)		87,600
Furniture and fittings	106,800	
Trade receivables and trade payables	126,000	77,700
Bank and cash	65,460	
Inventory (31 March 2012)	243,780	
Gross profit		359,400
Directors' emoluments	56,400	
Administrative expenses	200,940	
Revenue reserve (1 April 2011 )		<u>106,680</u>
	<u>1,129,380</u>	<u>1,129,380</u>

**Additional information:**

1. Debentures were issued on 1 April 2011. No interest has been paid on them.
2. Depreciation on motor vehicles for the year has not yet been charged. Depreciation should be charged at 10% per annum on cost.
3. Allowance for doubtful debt should be at 5% per annum.
4. Provision for corporation tax for the year ended 31 march 2012 was sh 48,000,000.
5. Directors have proposed a divided of 5% to the ordinary shareholders and a transfer of sh 18,000,000 to the general reserve.

**Required**

- (a) Income statement for the year ended 31 march 2012. (12 marks)
- (b) Statement of financial position as at 31 march 2012. (8 marks)
- (Total 20 Marks)**

**QUESTION THREE**

(a)Citing a relevant examples in each case, explain the following accounting terms;

- (i) Personal accounts
- (ii) Nominal accounts
- (iii) Real accounts
- (iv) Private accounts (8 marks)

- (b) (i) Define the term “source document” (3 marks)

(ii) Describe any *five* source documents and indicate their usefulness in the accounting activities.  
(5 marks)

(c) Explain the importance of Trial Balance (4 marks)

**(Total : 20 marks)**

#### QUESTION FOUR

Abel and Cain are trading as partners sharing profits and losses in the ratio 3:2 respectively.

The following trail balance was extracted from their partnership records as at 31 December 2012

	Sh'000,	sh'000'
Capital accounts:		
Abel		7,000
Cain		4,000
Current accounts;		
Abel		300
Cain	200	
Freehold premises at cost	4,000	
Motor vehicles	2,400	
Furniture and fittings	800	
Purchases/sales	22,000	25,616
Returns inwards/outwards	600	440
Cash at bank	1,880	
Cash drawing:		
Abel	480	
Cain	300	
Inventory (1.01.2012)	740	
Carriage in wards	1,080	
Carriage outwards	180	
Salaries	1,960	
Office expenses	364	
Allowance for doubtful debts		160

Discounts	84	120
Bad debts	66	
Rent and rates	146	
Accumulated depreciation (1.01.2012)		
Motor vehicles		960
Fixtures and fittings		<u>2,106</u>
	<u>40,886</u>	<u>40,886</u>

**Additional Information:**

1. Inventory was valued at sh2,400,000 as at 31 December 2012
2. Cain is entitled to a salary of sh60,000 per month
3. Interest is charged on cash drawings at the rate of 5% per annum.
4. Interest on capital account balances is allowed at 4% per annum
5. Goods taken by partners for personal use which were not yet recorded amounted to sh 200,000 and sh 20,000 for Abel and Cain respectively.
6. Depreciation on non-current assets is to be provided as follows:

<u>Non-current asset</u>	<u>Rate (%) p.aBasis</u>	
Motor vehicles	20	Reducing balance
Fixtures and fittings	10	straight line

7. As at December 2012, rent and rates outstanding amounted to sh 24,000, while salaries paid in advance amounted to sh 260,000
8. Allowance for doubtful debts is to be main tined at 3% of the outstanding trade receivables.

**Required**

- (a) Income statement for the year ended 31 December 2012. (9 marks)
- (b) Partners current accounts (3 marks)
- (c) Statement of financial position as at 31 December 2012 (8 marks)

**(Total: 20 marks)**

**QUESTION FIVE**

The following balance sheets was extracted from the business of Mr.Omondi, A Sole Trade

Mr. Omondi

Balance sheet

As at 31 January 2012

	Sh.			sh
Machinery	80,000		Capital	325,000
Motor vehicle	350,000			
Stock	30,000		D.F.C Loan	90,000
Debtors	20,000		creditors	70,000
Cash in hand	15,000			
	495,000		Bank overdraft	10,000
	495,000			495,000

Transaction for the month of February 2012 are given below :

2012

- Feb 2 Bought furniture for sh 65,000 by cheque
- Feb 4 Bought goods on credit for sh 42,000
- Feb 8 Sold goods worth sh 35,000 and payments received by cheque.
- Feb 12. Received sh13, 000 from debtors in cash
- Feb 19 Paid sh 8,000 to creditors by cheque
- Feb 22 Bought goods worth sh58, 000 on credit
- Feb 25 Sold goods worth sh38,000 from the business and payments received by cheque.
- Feb 27 Kimani took goods worth sh12, 000 from the business for personal use.
- Feb 28 Paid D.F.C loan sh 21,000 by cheque.

**Required:**

- (i) Open ledger accounts . (6 marks)
- (ii) Record the opening balances and the transaction for the month of February (4 marks)
- (iii) Balance off the accounts. (4 marks)

(iv) Prepare a closing trial balance.(6 marks)

**(Total 20 marks)**