



MURANG'A UNIVERSITY COLLEGE

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

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

MAIN CAMPUS

2015/2016 ACADEMIC YEAR

EXAM: END OF SEMESTER 2 EXAM

DIPLOMA IN BUSINESS MANAGEMENT

UNIT CODE : 1106

CLASS : BM 014D

UNIT NAME : FINANCIAL ACCOUNTING

REGULAR EXAMINATION

INSTRUCTIONS TO CANDIDATES

DATE: 20TH APRIL 2015

TIME: 2 ½ HOURS

Answer all Five (5) questions.

QUESTION ONE

The following trial balance was extracted from the books of Kiro as @ December 31 2009

	Dr.	Cr.
Capital		250,000
Stock 1/1/2009	25,000	
Plant & Machinery (cost)	250,000	
Motor vehicle (cost)	80,000	
Machines prov for depreciation		20000
Motor vehicle for depreciation		16000
Purchase	360,000	
Sales		600,000
Sales returns	40000	
Purchase returns		20000
Wages & salaries	60000	
Discounts	5000	4000
Carriage in	2500	
Carriage out	3000	
Postage & telephone	7500	
Water & electricity	8,600	
Bad debts W/o	1500	
Prov. for bad debts		1000
General expenses	8500	
Rent & rates	15000	
Debtors	55000	
Creditors		46,600
Cash in hand	6000	
Cash @ bank	30000	
	957,600	957,60

Additional information

- i. Closing stock Dec 2009 Kshs.22580
- ii. Depr to be charge 10% plant cost and machinery and motor vehicle @ 20%
- iii. Accrued rent Kshs.3,000 and prepaid rats Kshs.1,000
- iv. Outstand electricity expense Kshs.600
- v. Prov for bad debts to be increased by Kshs.300

Required

Prepare trading profit and loss account for year and Dec 31 2009 and a balance sheet. (20marks)

Q. 2a) Explain five errors that do not affect trial balance (10mrks)

The audit of Mr. Kamau R's books for the year ending 2009 revealed the following errors.

- (i) Machine was purchased for £1200 had been debited to the purchases account
- (ii) Goods purchased from L Shah for £ 150 were credited in the account of R Shah.
- (iii) A invoice from Maina for £270 was omitted.
- (iv) Goods sold to Kemboi £175 were entered in the sales day book as £157
- (v) salaries and wages account was over added by £35 and rent received had also been over added by £35

Required

a. Formal entries to correct the errors in the books of Kamau (10mks)

Q 3. The following information relates to Bora Ltd Co.

a. 2005	Sales Ledger Control A/C	Kshs.
	Jan 1 Balance b.f	1,1500
	Dec. 31 Sales per sales day book	60,850
	Dec 31 cash received as per cash book	48950
	Dec 31 Discounts allowed per cash book	2,585
	Dec 31 Returns in per cash book	4565
	Dec 31 Bad debts W/O	

Required

Pre pare sales ledger control account

(10marks)

b. 2005 purchase, ledger control a/c

	Ksh.
Dec 31 cheques paid	8,972
Dec 31 purchases	23,589
Dec 31 purchases returns	3,843
Dec 31 Discounts received	1,582
Dec 31 cheques paid to suppliers	20,473

(10marks)

Q 4. A Machine costs Kshs.10, 000 and is to be depreciated at the rate of 15% straight line

method. Assuming that this machine was purchased on 1st Jan 2005 show entries to record this at Dec 31, 2005, 2006, 2007.

1. Machinery account
2. Provision for depreciation account
3. Profit and loss account
4. Balance sheet extract.

(20marks)