



MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

SECOND YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF EDUCATION

BAC 100: FUNDAMENTALS OF ACCOUNTING I

DATE:

TIME:

INSTRUCTIONS:

Answer question one and any other two questions.

QUESTIONS ONE (30 MARKS)

- a) Fill in the missing gaps, showing workings separately: (3 marks)

| | Liabilities | Assets | capital |
|------|--------------------|---------------|----------------|
| | (shs) | (shs) | (shs) |
| i) | 15,000 | 295,000 | ----- |
| ii) | ----- | 300,000 | 150,000 |
| iii) | 45,000 | ----- | 285,000 |
| iv) | 50,000 | ----- | 300,000 |
| v) | 8,000 | 100,000 | ----- |
| vi) | 40,000 | 200,000 | ----- |

- b) The following information relate to the business of Mutua for the month of January 2015:

Jan.2 : Balance b/f of stock 500 units valued at shs.30,000.

“ 3 : Bought 800 units @shs.50.

“ 4 : Sold 600 units @ shs.80.

“ 6 : Bought 900 units @ shs.55.

“ 10 : Bought 1000 units @ shs. 60.

“ 15 : Sold 700 units @ shs.90.

- ‘ 20 : Bought 1100 units @ shs. 65.
- ‘ 22 : Sold 1000units @ shs.100.
- ‘ 24 : Bought 750 units @ shs.60.
- ‘ 26 :Sold 650 units @ shs.90.
- ‘ 28 : Bought 300 units @ shs.40.
- ‘ 31 : Sold 400 units @ shs.70.

REQUIRED:

Prepare a stores ledger card under the method of Last In First Out (LIFO) (10 marks)

c) Prepare a trial balance from the following balances:

| | shs | |
|------------------|--------|------------|
| Purchases | 5,600 | |
| Sales | 7,500 | |
| Cash at bank | 1,560 | |
| Furniture | 1,500 | |
| Sundry debtors | 1,840 | |
| General expenses | 5,500 | |
| Sundry creditors | 2,000 | |
| Motor vehicles | 3,000 | |
| Capital | 20,000 | |
| Returns inwards | 8,000 | |
| Carriage inwards | 4,000 | |
| Discount allowed | 3,000 | (10 marks) |

- d) i Distinguish between revenue expenditure and capital expenditure. (4 marks)
- ii Returns inwards and returns outwards. (3 marks)

QUESTION TWO (20 MARKS)

You have extracted a trial balance and drawn up accounts for the year ended 31stDecember 2006. There was a shortage of sh.700 on the credit side of the trial balance, a suspense account being opened for that amount. During 2007 the following errors made in 2006 were located:
sh.55 received from sale of an old office equipment has been entered in the sales account.

- i. Purchases day book has been overcast by sh60.

- ii. A private Purchase of sh.115 has been included in the business purchases.
- iii. Bank charges sh. 38 entered in the cash book have not been posted to the bank charges account.
- iv. A sale of goods to Boss sh690 was correctly entered in the sales book but entered in the personal account as sh.960.

Required:

- a) Show the requisite journal entries to correct the errors. (10 marks)
- b) Write up the suspense account showing the correction of the errors. (5 marks)
- c) Explain the errors not affecting the trial balance. (5 marks)

QUESTIONS THREE (20 MARKS)

- a) Explain the causes of the difference in the balances as shown by the cash book (bank column) and the bank statement. (8 marks)
- b) The following were from the bank columns of the cash book of a trader, Burton, for the month of April 2017:

| Dr. | | Cr. | |
|----------------------|--------------|-------------------------|--------------|
| 2017 | Sh. | 2017 | Sh. |
| April 1 Balance b/f | 2,500 | April 3 A. Smith | 200 |
| April 7 Sales | 300 | April 5 M. Robert | 1,300 |
| April 10 R.william | 1,200 | April 7 Sundry expenses | 100 |
| April 12 A. Black | 1,500 | April 10 S. David | 700 |
| April 20 Sales | 700 | April 15 Wages | 300 |
| April 30 H. Mathew | 600 | April 18 Rent | 250 |
| | | April 25 A. Smith | 150 |
| April 30 Balance c/f | <u>3,800</u> | | |
| | <u>6,800</u> | | <u>6,800</u> |

On 30th April 2017, he received the following statement from his bank:

| 2017 | DR | CR | BALANCE |
|---------------------|-----|-----|---------|
| | Sh. | Sh. | Sh. |
| April 1 Balance b/f | | | 2,500 |

| | | |
|-------------------|-------|-------|
| 5 A. Smith | 200 | 2,300 |
| 7 Cash | 300 | 2,600 |
| 8 M. Robert | 1,300 | 1,300 |
| 8 Sundry expenses | 100 | 1,200 |
| 10 R. William | 1,200 | 2,400 |
| 13 S. David | 700 | 1,700 |
| 15 A. Black | 1,500 | 3,200 |
| 15 Wages | 300 | 2,900 |
| 19 Rent | 250 | 2,650 |
| 20 Cash | 700 | 3,350 |
| 30 Charges | 100 | 3,250 |
| 30 Standing order | 500 | 2,750 |

Required:

Update the cash book balance and prepare a bank reconciliation statement. (12 marks)

QUESTION FOUR (20 MARKS)

Morgan a sole trader extracted the following trial balance from his books at the close of his business on 31st December 2009: 20 marks.

| | Dr | Cr |
|--------------------------------------|--------|--------|
| ShsShs | | |
| Purchases and sales | 22,860 | 41,970 |
| Stock 1-1-2009 | 5,160 | |
| Capital 1-1-2009 | | 7,200 |
| Bank Overdraft | | 4,350 |
| Cash | 90 | |
| Discounts | 1,440 | 930 |
| Returns inwards | 810 | |
| Returns outwards | | 570 |
| Carriage outwards | 2,160 | |
| Rent and insurance | 1,740 | |
| Provision for bad and doubtful debts | | 660 |

| | | |
|-------------------------|---------------|---------------|
| Fixtures and fittings | 1,200 | |
| Delivery van | 2,100 | |
| Debtors and Creditors | 11,910 | 6,060 |
| Drawings | 2,880 | |
| Wages and Salaries | 8,940 | |
| General office expenses | <u>450</u> | |
| | <u>61,740</u> | <u>61,740</u> |

Notes:

- Stock at 31st dec 2009 was sh.4,290.
- Wages and salaries accrued as at 31st dec 2009 was sh.210, Office expense owing sh.20.
- Rent prepaid at 31st Dec 2009 was sh.180.
- Increase the Provision for bad and doubtful debts bysh.150.
- Provide for depreciation as follows:
 - Fixtures and fittings sh.120
 - Delivery van sh.300

Required:

- Trading, profit and loss account for the year ended 31st Dec.2009 (12 marks)
- Balance sheet as at that date. (8 marks)

QUESTION FIVE (20 MARKS)

- Explain the meaning of the imprest system and the functions of the petty cash book. (4 marks)
- Explain any four accounting principles. (4 marks)
- Baraza is the Petty Cashier of Msaziniltd . The petty cash is managed through the imprest system with an imprest of sh.25,000 per week. The following information relate to the first week of the month of June 2006:

| Voucher no. | Description | Shs. |
|-------------|-----------------|-------|
| June: 1. | Balanceb/f | 5,500 |
| | 1.Cash restored | ? |

Cash Payments

| Voucher no. | Description |
|-------------|-------------|
|-------------|-------------|

| | | | |
|----|-----|----------------------|-------|
| 2. | 103 | Newspapers | 1,000 |
| 2. | 104 | Courier charge | 1,500 |
| 3. | 105 | Tea ,milk and coffee | 2,500 |
| 4. | 106 | Mobile phone cards | 2,000 |
| 4. | 107 | Printing | 1,500 |
| 5. | 108 | Wages for casuals | 1,500 |
| 5. | 109 | Motor vehicle fuel | 4,500 |
| 5. | 110 | Office stationery | 1,300 |
| 5. | 111 | Taxi charges | 1,000 |
| 6. | 112 | Cleaning materials | 1,200 |
| 6. | 113 | Managers lunch | 1,500 |

REQUIRED:

Prepare a petty cash book , having the following columns; Travelling& Communication expenses, Printing & Stationery, cleaning expenses and other office expenses. (12 marks)