



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

FIRST YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF ECONOMICS,

BACHELOR OF ECONOMICS & FINANCE,

BACHALOR OF ECONOMICS AND STATISTICS

BACHELOR OF COMMERCE.

BACHELOR OF EDUCATION.

BAC 100 FUNDAMETALS OF ACCOUTING 1

DATE:

TIME:

INSTRUCTIONS:

Answer question one and any other two questions.

QUESTION ONE (30 MARKS) (COMPULSORY)

- a) Define accounting as a process. (2 marks)
- b) Yoma enterprises had the following assets and liabilities on 30th June, 2019

	Shs.
Cash at bank	13,000
Cash in hand	300
Equipment	38,000
Unpaid rent	3 000
Accounts payable	11,000
Inventory	7,000
Bank overdraft	3,000
Prepaid salary	2 000
Furniture	8,000
Accounts receivables	15,000

During the month of July 2019 the following transactions took place:

- 2.7 Paid creditors a quarter of their debt by cheque
- 7.7 Yoma brought more cash from her salary sh. 15,000 .
- 10.7 Debtors paid sh. 9,000 by cheque
- 17.7 Bought more Furniture from Heka wood on credit sh.4, 000
- 24.7 Deposited sh.6, 000 cash into the bank
- 29.7 Bought more stock on credit sh. 4,000.
- 30.7 Yoma bought lunch with business cash sh.200.

Required;

- i. Determine capital as at 30th June 2019 (2 marks)
- ii. Prepare Yoma's statement of financial position after the above transactions. (8 marks)

Explain the difference between:

- i) General expenses and Motor-vehicle expenses
- ii) Revenue expenditure and capital expenditure
- iii) Contra-entry and double entry concept
- iv) Accounts receivable and bills of exchange receivable (8 marks)

d) 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>

6,800

6,800

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.
(10 marks)

Question Two.

a) On 1st June 2017, Sarah boutique had cash at hand Sh. 8,500 and Sh. 51 300 cash in the bank .During the month, the following transactions took place:-

- June 2 Cash sales Sh. 7 200 paid direct into the bank.
- June 5 Bought goods Sh. 16 000 and paid by cheque
- June 6 Debtor Rose paid her account of sh. 18 000 less 8% discount by cheque.
- June 7 Cash sales sh 50 000
- June 12 Paid insurance premium sh.16000 in cash

June 15 Paid creditor Kennedy by cheque sh .9700 in full settlement of his account less 3% cash discount.

June 16 Peter paid sh.6 000 in cash after being allowed sh.300 cash discount

June 19 Deposited sh. 30 000 cash into the business bank .

June 20 paid casual cleaners sh. 2 000 by cheque

June 22 Received a cheque of sh. 23 750 from Rael in full settlement of her account less 5% cash discount

June 23 Cheque received from debtor Rose was dishonored

June 25 Paid Lena stores sh.4 214 by cheque having been allowed 2% discount

June 27 Paid salaries sh. 18 000 in cash

June 30 Banked all the cash except sh. 1 800

Prepare Sarah's three column cashbook duly balanced. (12 marks)

b)The following balances was extracted from the books of Walo business for the year ended 31st December 2019

Sales ledger balance (1.1.2019)	
Debit	4 200 000
Credit	38 000
Totals for the year: sales journal	3 900 000
Sales returns journal	72 000
Discount allowed	63 000
Cheques received from debtors	830 000
Dishonoured cheques	70 000
Cash received from debtors	1 700 000
Bad debts written off	14 000
Refund to debtors	7 000
Inter-account settlement	2 000
Bills of exchange receivable	30 000
Sales ledger credit balance (31.12.2019)	9 000

Prepare the sale ledger control as at 31st December 2019 (8marks)

Question Three

The following balances relate to Jema enterprises for the period ending 31st December 2017:

	Sh '000'
Motor vehicles	3 000
Furniture	2 500
Inventory (1.1.17)	2 200

Purchases	9 000
Sales	17 500
Returns inwards	800
Returns outwards	400
Carriage inwards	500
Carriage outwards	400
Rent	900
Electricity	800
Salaries and wages	600
Drawings	2 500
Land and buildings	5 000
Discounts received	800
Discount allowed	700
Accounts payable	2 000
Accounts receivable	4 200
Provision for bad and doubtful debts	300
Capital	12 100

Additional information

1. Inventory as at 31.12.2017 was sh 3,500,000
2. Bad debts written off sh.600 000
3. Depreciation is to be provided on- motor vehicle 15%
-furniture 10%
4. Provision for bad and doubtful debts is sh. 408 000
5. Unpaid Expenses-Motor vehicle expenses sh. 100 000
- Electricity sh 200,000
6. 1/5 of the rent relates to year 2018
7. Accrued salaries and wages amount to shs 100,000

Required:

(a)Income statement for the year ended 31st December 2017. (12 marks)

(b)Statement of financial position as at 31st December 2017. (8 marks)

Question four

Zela retailers do not keep their accounts according to double entry system.

The accountant has provided the following details for the year ended 31 December 2019.

- (a) The sales are mostly credit. No record of sales has been kept, but Shs.133,000 has been received from persons to whom goods have been sold Kshs.96,000 by cheque and Kshs.27,000 in cash.
- (b) Amount paid by cheque to suppliers during the year was Kshs.63,000
- (c) Expenses paid during the year were: rent Kshs.7,600, by cheque .General Expenses Shs. 2,000,by cheque, rent shs. 800 by cash.

- (d) Zela took Kshs.500 cash per week (for 52 weeks) as drawings.
 (e) Other information available was as follows:

Details	31.Dec.2018 KShs.	31Dec.2019 KShs.
Accounts Receivable	11,000	13,200
Accounts payable for goods	3,200	5,200
Rent Owing	-	700
Bank Balances	11,300	35,880
Cash Balances	640	840
Inventory	12,720	12,600

(f) The only non-current asset consists of fixtures which were valued on 31 Dec. 2018 at Kshs.9,900. These are to be depreciated at 10% per annum.

Required.

- (a) Income Statement for the year ended 31 Dec3mber 2019 (10 Marks)
 (b) Statement of Financial Position as at 31 December 2019. (10 Mark)

Question five

Mambo stores made the following credit purchases in the month of October 2019

- October 2 Credit purchases from T.Moey Invoice No 5121 sh. 3,000
- October 4 Credit purchases, from M.Peter Invoice No. 0614 sh. 5,000
- October 4 Returned goods to T. Moey sh.230.
- October 5 Returned goods to M Peter sh. 180
- October 11 Credit purchases from P.Charles invoice No. 7143 sh. 6,000
- October 15 Credit purchases from T. Moey Invoice No. 5164
- October 26 Credit purchases from E.Joy Invoice No. 0113 sh. 5,000
- October 31 credit purchases from M Peter invoice number 0781 sh.6 000

Required: To recognize the above transactions for the month of October, prepare:

- i) Purchases Journal and purchases returns journal. (3 marks)
- ii) Purchases account and purchase returns account (3 marks)
- iii) Creditors ledger accounts. (3 marks)

b) Tina operates a hardware business. The following accounting errors were discovered by his accountant after preparing the trial balance:

1. Credit sales sh. 30,000 to P. Wanjiru was recorded in her account only.
2. Purchases of an office computer sh. 50,000 by cheque was recorded in the purchases account.
3. Payment by cheque sh. 20,000 to creditor Ken was credited to his account
4. Discount received sh. 7,000 was debited in the discount allowed account
5. Credit sales sh 12 000 to Mary were credited in her account and debited in the sales account
5. Payment for electricity sh. 43,000 was recorded in electricity account as sh. 34,000
6. Tina withdrew cash sh. 5,000 from the bank for her son's school fess. No entry was made in the books of accounts.
7. Sales account and purchases account were each under cast by sh 8 000.

Required

Prepare journal entries to correct the above errors

(11 marks)