



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

FIRST YEAR FIRST TERM EXAMINATION FOR

CERTIFICATE IN HUMAN RESOURCE MANAGEMENT

CERTIFICATE IN BUSINESS MANAGEMENT

CERTIFICATE IN SUPPLY CHAIN MANAGEMENT

1908/304BK: BOOK KEEPING

1906/105FA, 1903/105FA: FINANCIAL ACCOUNTING

DATE: 15/6/2021

TIME: 2.30-5.30 PM

INSTRUCTIONS:

Answer question *one* compulsory and any other *two* questions.

QUESTION ONE COMPULSORY

- a) Accounting is important in any organization define accounting and give two qualities of a good financial report. (4 marks)
- b) Using the information below write up a two-column cash book and balance off as at the end of the month:

2013

- | | | |
|-----|----|--|
| May | 1 | Started business with capital in cash sh1,000. |
| “ | 2 | Paid rent by cash sh 100. |
| “ | 3 | F Lake lent us sh 5,000, paid by cheque. |
| “ | 4 | We paid B McKenzie by cheque sh 650. |
| “ | 5 | Cash sales sh 980. |
| “ | 7 | N Miller paid us by cheque sh 620. |
| “ | 9 | We paid B Burton in cash sh 220. |
| “ | 11 | Cash sales paid direct into the bank sh 530. |
| “ | 15 | G Moores paid us in cash sh 650. |
| “ | 16 | We took sh 500 out of the cash till and paid it into the bank account. |
| “ | 19 | We repaid F Lake sh 1,000 by cheque. |

- “ 22 Cash sales paid direct into the bank sh 660.
- “ 26 Paid motor expenses by cheque sh 120.
- “ 30 Withdrew sh 1,000 cash from the bank for business use.
- “ 31 Paid wages in cash sh 970. (16 marks)
- c) Briefly discuss five users of financial statements (10 marks)

QUESTION TWO

Mr J Ockey commenced trading as a wholesaler stationer on 1 May 2010 with a capital of £5,000.00 with which he opened a bank account for his business.

During May the following transactions took place.

- May 1 Bought shop fittings and fixtures from store fitments Ltd for £2,000.00
- May 2 Purchased goods on credit from Abel £650.00
- May 4 Sold goods on credit to Bruce £700.00
- May 9 Purchased goods on credit from Green £300.00
- May 11 Sold goods on credit to Hill £580.00
- May 13 Cash sales paid into bank account £200.00
- May 16 Received cheque from Bruce in settlement of his account
- May 17 Purchased goods on credit from Kay £800.00
- May 18 Sold goods on credit to Nailor £360.00
- May 19 Sent Cheque to Abel in settlement of his account
- May 20 Paid rent by cheque £200.00
- May 21 Paid delivery expenses by cheque £50.00
- May 24 Received from Hill £200.00 on account
- May 30 Drew cheque for personal expenses £200.00 and assistant wages £320.00
- May 31 Settled the account of Green.

- a) Record the transactions in the books of original entry.
- b) Post the entries in the ledger accounts
- c) Balance the ledger accounts where necessary
- d) Extract a trial balance as at 31 May 2010 (20 marks)

QUESTIN THREE

- a) “Financial statements are based largely on estimates and the application of accounting rules for recognition and allocation. To facilitate preparation and interpretation of useful accounting information, accountants depend on conventions or rules of thumb and generally accepted accounting principles”. Discuss this statement. (10 marks)
- b) C Kings has the following items in his balance sheet as on 30 June 2002. (10 marks)

Capital £41,800, Creditors £3,200, Fixtures £7,000, Motor Vehicles £8,400, Stock of goods £9,900, Debtors £6,500, Cash at bank £12,900 and Cash in hand £240.

During the first week of July 2002:

- i. He bought extra stock of goods £1,540 on credit.
- ii. One of the debtors paid him £560 in cash.
- iii. He bought extra fixture by cheque £2,000.

Draw up a balance sheet as on 7 July 2002 after the above transactions have been completed

QUESTION FOUR

Draw A up a three-column cashbook from the following details and balance it off.

Year 2008

Mar	1	Balances brought forward: Cash £230; Bank £4,756.
“	2	The following paid their accounts by cheque, in each case deducting 5 percent Discounts: R Burton £140; E Taylor £220; R Harris £800.
“	4	Paid rent by cheque £120.
“	6	J Cotton lent us £1,000 paying by cheque.
“	8	we paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: N Black £360; P Towers £480; C Rowse £300.
“	10	Paid motor expenses in cash £44.
“	12	H Hankins pays his account of £77, by cheque £74, deducting £3 cash discount.
“	15	Paid wages in cash £160.
“	18	The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston £260; R Wilson & Son £340; H Winter £460.
“	21	Cash withdrawn from the bank £350 for business use.
“	24	Cash Drawings £120.
“	25	Paid T Briers his account of £140, by cash £133, having deducted £7 cash discount.
“	29	Bought fixtures paying by cheque £650.
“	31	Received commission by cheque £88. (20 marks)

QUESTION FIVE

- a) Define the following terms;
 - i. Credit note
 - ii. Debtors note
 - iii. Sales invoice
 - iv. Financial accounting
 - v. Trial balance
- b) Discuss five errors affecting the trial balance (20 marks)