



# MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

SECOND YEAR SECOND TERM EXAMINATION FOR

DIPLOMA IN HUMAN RESOURCE

DIPLOMA IN FOOD AND BEVERAGE

ACCOUNTING

DATE: 7/6/2021

TIME: 11.30-2.30 PM

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## INSTRUCTIONS:

*Answer any three questions*

### QUESTION ONE

The following balance sheet information as on 8th/1/2018 for Our co. ltd is provided to you as follows

OUR CO. LTD  
BALANCE SHEET  
AS AT 8/01/2010

ASSETS	Amt. \$	CAPITAL & LIA.	Amt. \$
Fixed Assets		Capital	503,000
Office Equipment	100,000	Less Drawings	80,000
Motor Vehicle	100,000		423,000
CURRENT ASSETS		Long term Liabilities	
Inventory (70units@500)	35,000	Loan	50,000
Cash in Hand	238,000		
	<u>473,000</u>		<u>473,000</u>

### Additional information

The following transactions took place in the month of February 2018

February 10th paid the following expenses on cash:-

-Electricity kshs 10,000

-Insurance kshs 6,000

- ” 11th owner brought additional check of kshs 25,000 in to the business from personal savings
- ” 12th received some commission income of kshs 5,000 in check form
- ” 14thsold 20 units of stock on credit to O ltd for kshs 14,000
- ” 15th bought new office equipment on credit for kshs 120,000 from L Motors ltd
- ” 17th bought 30 units of stock on credit from U ltd for kshs 15,000
- ” 18th returned 2 units of stock to supplier valued at kshs 1,000 for they had some discrepancies
- ” 19th paid L Motor ltd a check of kshs 35,000 after agreeing with the bank manager
- ” 20th O ltd, a customer returned some 5 units of stock amounting to kshs 3,500

**Required**

- a) Record the above transactions in the respective ledger accounts and extract the balances thereof as at 20th/2/2018
- b) Prepare a trial balance as per the given date of 20th/2/2018 (20 marks)

**QUESTION TWO**

From the following trial balance of Johnson Mwakazi prepare a Trading profit and loss account and a Balance Sheet as at 30<sup>th</sup> September 2012

	<b>khs</b>	<b>khs</b>
Capital		3,095,500
Drawings	842,000	
Cash at bank	311,500	
Cash in hand	29,500	
Debtors	1,230,000	
Creditors		937,000
Stock 1 <sup>st</sup> october 2011	2,391,000	
Motorvan	410,000	
Office equipment	625,000	
Sales		13,090,000
Purchases	9,210,000	
Carriage inwards	21,500	
Carriage outwards	30,900	

Motor expenses	163,000	
Rent	297,000	
Telephone charges	40,500	
Wages and salaries	1,281,000	
Insurance	49,200	
Sundry expenses	28,400	
Office expenses	137,700	
Returns outwards/inwards	<u>55,000</u>	<u>30,700</u>
	<u>17,153,200</u>	<u>17,153,200</u>

Stock on 30<sup>th</sup> September 2012 was ksh 1,500,000.

20 marks

### QUESTION THREE

The following is a list of assets and liabilities of Peter Mwangangi as at 1<sup>st</sup> January 2015,

	kshs
Debtors	33,500
Creditors	41,000
Stock of goods	544,000
Plant and machinery	1,200,000
Motor vehicles	2,200,000
Cash at bank	500,000
Cash in hand	120,000
Bank loan	230,000
Creditors	150,000

During the 1<sup>st</sup> week of January the following transactions took place,

1. Sold some of the stock by cash kshs 50,000
2. Bought more stock on credit kshs 100,000
3. One of the debtors paid us kshs 20,000 by cheque
4. Sold some of the machinery by cheque kshs 500,000
5. Paid part of the bank loan by cheque kshs 100,000

**Required,**

Prepare a balance before and after the above transactions.

(20 marks)

**QUESTION FOUR**

Briefly explain any five users of financial statements

(20 marks)

**QUESTION FIVE**

Write short notes on the following,

- a) Balance sheet equation
- b) Business transaction
- c) Trial balance
- d) Bank overdraft

(20 marks)