



MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING, BANKING AND FINANCE

SECOND YEAR FIRST SEMESTER EXAMINATION FOR

DIPLOMA IN ACCOUNTANCY

FINANCIAL ACCOUNTING

DATE: 12/11/2019

TIME: 8.30-11.30 AM

INSTRUCTIONS:

Answer any other three questions

QUESTION ONE

A three-column cashbook is to be written up from the following details, balanced off, and the relevant discount accounts in the general ledger shown.

2008

Mar	1	Balances brought forward: Cash ksh230; Bank Ksh4,756.
“	2	The following paid their accounts by cheque, in each case deducting 5 percent discounts: R Burton Ksh140; E Taylor Ksh220; R Harris Ksh800.
“	4	Paid rent by cheque Ksh120.
“	6	J Cotton lent us Ksh1,000 paying by cheque.
“	8	We paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: N Black Ksh360; P Towers Ksh480; C Rowse Ksh300.
“	10	Paid motor expenses in cash Ksh44.
“	12	H Hankins pays his account of Ksh77, by cheque Ksh74, deducting Ksh3 cash discount.
“	15	Paid wages in cash Ksh160.
“	18	The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston Ksh260; R Wilson & Son Ksh340; H Winter Ksh460.
“	21	Cash withdrawn from the bank Ksh350 for business use.
“	24	Cash Drawings Ksh120.
“	25	Paid T Briers his account of Ksh140, by cash Ksh133, having deducted Ksh7 cash discount.
“	29	Bought fixtures paying by cheque Ksh650.
“	31	Received commission by cheque Ksh88.

QUESTION TWO

A company depreciates its plant at the rate of 20 per cent per annum, straight line method, for each month of ownership. From the following details draw up the plant account and the provision for depreciation account for each of the years 1999, 2000, 2001 and 2002.

- 1999 Bought plant costing Ksh900 on 1 January.
- Bought plant costing Ksh600 on 1 October.
- 2001 Bought plant costing Ksh550 on 1 July.
- 2002 Sold plant which had been bought for Ksh900 on 1 January 1999 for the sum of Ksh275 on 30 September 2002.

You are also required to draw up the plant disposal account and the extracts from the balance sheet as at the end of each year.

QUESTION THREE

The following are extracts from the cashbook and the bank statement of Juliana You are required to:

- a) Write the cashbook up to date, and state the new balance as on 31 December 2002, and
- b) Draw up a bank reconciliation statement as on 31 December 2002.

Cashbook					
2002	Dr	Ksh	2002	Cr	Ksh
Dec 1	Balance b/d	1,740	Dec 8	A Dailey	349
Dec 7	J Map	88	Dec 15	R Mason	33
Dec 22	J Cream	73	Dec 28	G Small	115
Dec 31	K Wood	249	Dec 31	Balance c/d	1,831
Dec 31	M Barrett	178			
		<u>2,328</u>			<u>2,328</u>

Bank Statement

2002		Dr	Cr	Balance
		Ksh	Ksh	Ksh
Dec 1	Balance b/d			1,740
Dec 7	Cheque	88	1,828	
Dec 11	A Dailey	349		1,479
Dec 20	R Mason	33		1,446
Dec 22	Cheque		73	1,519
Dec 31	Credit transfer: J Walters		54	1,573
Dec 31	Bank charges	22		1,551

QUESTION FOUR

The following Trial Balance was taken from the ledger of kamene, a sole trader, on 31st December 2002:

	Ksh	Ksh
Capital		40,000
Purchases	26,154	
Sales		36,246
Salaries	4,814	
Opening stock	4,307	
Insurance	820	
Rent		965
Buildings	25,000	
Furniture	14,500	
Debtors	6,140	
Other expenses	1,060	
Creditors		4,638
Commission		946
	<u>82,795</u>	<u>82,795</u>

Adjustments:

1. Furniture to be depreciated by 10%.
2. 5% of debtors are doubtful.
3. Stock on 31st December 19-1 was valued at Ksh5,008.

Required:

Prepare an income statement and a balance sheet as that date