



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

FIRST YEAR SPECIAL/ SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF COMMERCE

BAC 100: FINANCIAL ACCOUNTING I

DATE: 26/3/2021

TIME: 2.00-4.00 PM

INSTRUCTIONS:

Answer question one and any other two questions.

QUESTIONS ONE (30 MARKS)

- a) “Financial accounting is business language”. Identify five users of financial accounting information and explain why they require it. (10 marks)
- b) The following are extracts from the books of Good Appetite restaurant, for the year ended on 30th June 2018.

	Dr(Shs)	Cr(Shs)
Rental Equipment	940	
Insurance	1,804	
Lighting and heating expenses	1,990	
Motor expenses	2,350	
Salaries and wages	48,580	
Sales		382,420
Purchases	245,950	
Sundry expenses	624	
Lorry	19,400	
Creditors		39,908
Stock	16,500	
Debtors	44,516	
Fixtures	4,600	
Building	174,000	
Cash at bank	11,346	
Drawings	44,000	
Capital	-----	194272
	616,500	616,500
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- i. Prepare income statement for the year ending on 30th June 2018. (10 marks)
- ii. Prepare a statement of financial position as at 30th June 2018. (10 marks)

QUESTION TWO (20 MARKS)

The following details are extracted from the books of Sifa Restaurant, a leading business in Nakuru county for the month of August 2018:

Date	Receipts (Units)	Issues (Units)	Unit cost(Shs)
August: 1	2,880		18
3		3,840	
5	3,120		20
10		3,240	
14	3,600		22
16	3,360		21
19		2,640	
22	3,120		23
24		4,560	
25	3,720		24
27	3,000		25
29	3,840		26
30		8,280	

The closing balance for July 2018 was a batch of 3,600 units received at a unit price of Shs19.

Required: Determine the value of closing stock using:

- a) Last In First Out (LIFO) method (10 marks)
- b) Weighted Average Method (WAM) (10 marks)

QUESTIONS THREE (20 MARKS)

- a) Briefly explain the following types of errors:
 - i. Error of commission (2 marks)
 - ii. Error of Principle (2 marks)
 - iii. Complete reversal of entries (2 marks)
 - iv. compensating errors (2 marks)
- b) The following transactions were extracted from the books of Hotel Pine for May 2018:

May	1	Started business with capital in cash Sh.11,000
	2	Paid rent by cash Sh.230.

- 3 Graham lent Sh.2,000 and a cheque was received
- 4 Peter was paid by cheque sh.860
- 5 Cash sales Sh.190
- 7 Faith paid Pine hotel by cheque sh.34
- 9 A Moore was paid in cash sh.92
- 11 Cash sales paid direct into the bank sh.151.
- 15 P.Hood paid us in cash sh.96
- 16 Sh.100 was paid from the office to the bank.
- 19 Kane was given a cheque of sh.500.
- 22 Cash sales paid direct into the bank Sh.122.
- 26 Motor expenses were paid by cheque sh.75.
- 30 Withdrew sh.200 cash from the bank for business use.
- 31 paid wages in cash sh.320.

Required: Prepare a two-column cash book.

(12 marks)

QUESTION FOUR (20 MARKS)

The following financial information belong to the Bei poa restaurant for the month of March 2018:

- March 1: Started business with sh.8,000 in the bank.
- 2 bought goods on credit from the following persons: Frank sh.550, Byers sh.290, Lee sh.610.
- 5 cash sales sh510
- 6 paid wages in cash 110
- 7 sold goods on credit to : Snow sh. 295, Park sh.360, Tyler sh.640.
- 9 bought goods for cash sh.120.
- 10 Bought goods on credit from Byers sh.410, Lee sh.1,240.
- 12 Paid wages in cash sh.110.
- 13 Sold goods on credit to: Park Sh.610, Tyler 205.
- 15 Bought Furniture from Stop ltd for sh.740.
- 17 Paid Byers Sh.700 by cheque.
- 18 Returned goods to Lee sh.83.
- 21 Paid Stop ltd sh.740 by cheque.
- 24 Tyler paid his accounts by cheque sh.845.
- 27 Goods were returned to Frank sh. 18.
- 30 Prince lent us Sh.1,000 in cash.
- 31 Bought an old Van paying by cheque sh.6,250.

Required:

a) Prepare ledger accounts and balance them off.

(12 marks)

b) Extract a trial balance.

(8 marks)

QUESTION FIVE (20 MARKS)

- a) Explain the meaning of the imprest system and the functions of the petty cash book. (4 marks)
- b) Distinguish between capital expenditure and revenue expenditure. (4 marks)
- c) Baraza is the Petty Cashier of Msazini Ltd . 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.		Balance b/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)