



# MACHAKOS UNIVERSITY

University Examinations for 2021/2022 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

FIRST YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF ECONOMICS AND STATISTICS

BACHELOR OF ECONOMICS AND FINANCE

BACHELOR OF EDUCATION

BACHELOR OF COMMERCE

BACHELOR OF ECONOMICS

**BAC 100: FUNDAMETALS OF ACCOUTING 1**

**DATE: 28/1/2022**

**TIME: 8:30 – 10:30 AM**

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## INSTRUCTIONS:

Answer question one and any other two questions.

### QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Define accounting as a process. (2 marks)
- b) Yoma enterprises had the following assets and liabilities on 30<sup>th</sup> 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 30<sup>th</sup> June 2019 (2 marks)
- ii) Prepare Yoma's statement of financial position after the above transactions. (8 marks)
- c) 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:

	<b>Dr.</b>		<b>Cr.</b>
<b>2017</b>	<b>Sh.</b>	<b>2017</b>	<b>Sh.</b>
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>
	<u>6,800</u>		<u>6,800</u>

On 30<sup>th</sup> 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 (20 MARKS)

- a) On 1<sup>st</sup> 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 31<sup>st</sup> December 2019

Shs:

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 31<sup>st</sup> December 2019 (8 marks)

### QUESTION THREE (20 MARKS)

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

	<b>Sh '000'</b>
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 31<sup>st</sup> December 2017. (12 marks)
- (b) Statement of financial position as at 31<sup>st</sup> December 2017. (8 marks)

#### **QUESTION FOUR (20 MARKS)**

Lydia started a business with Sh. 148,000 in the bank on 01.02.2015. The following transactions took place during the month of February:

- 02.02 Purchased goods by cheque Sh. 20,000.
- 04.02 Withdrew Sh. 60,000 from the bank for business use.
- 06.02 Bought goods Sh. 20,000 on credit from Mary
- 10.02 Sold goods Sh. 30,000 in cash
- 10.02 Returned goods to Mary sh. 3,000
- 14.02 Paid electricity by cheque Sh. 1,000.
- 14.02 Paid Mary sh. 7 000 by cash
- 15.02 Sold goods on credit to Jane Sh. 10,000
- 17.02 Purchased stationery on credit from Timothy stationers sh 800.
- 19.02 Jane paid sh. 4500 by cheque.
- 26.02 Paid her son's fees with business cash sh.6 000
- 26.02 Paid John his salary Sh. 8,000 Cash.

#### **Required:**

- i.) Record the above transactions in Lydia's books of accounts. (12 marks)
- ii.) Extract the Trial Balance at 26<sup>th</sup> February 2020. (8 marks)

#### **QUESTION FIVE (20 MARKS)**

- a) 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 an 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 was credited in her account and debited in the sales account
  - 6. Payment for electricity sh. 43,000 was recorded in electricity account as sh. 34,000
  - 7. Tina withdrew cash sh. 5,000 from the bank for her son's school fees. No entry was made in the books of accounts.
  - 8. Sales account and purchases account were each under cast by sh 8 000.

**Required**

Prepare journal entries to correct the above errors (11 marks)