



# MACHAKOS UNIVERSITY

University Examinations 2020/2021

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

FIRST YEAR END OF SEMESTER ONE EXAMINATION

CERTIFICATE IN BUSINESS MANAGEMENT

CERTIFICATE IN SUPPLIES MANAGEMENT

FINANCIAL ACCOUNTING

DATE: 30/12/2021

TIME: 8:30 – 11:30 AM

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## Instructions

The paper contains of six questions

Answer any **Five** questions in the answer booklet

All questions carry equal marks

The questions should be answered in English

## QUESTION ONE

- a) Define financial accounting (2 marks)
- b) Explain the differences between financial accounting and management accounting (8 marks)
- c) Financial accounting is used by different users to make informed decisions. Explain five users of financial information (10 marks)

## QUESTION TWO (20 MARKS)

a) The following information relates to Judy traders for the month of April 2019

April 1 purchased goods for ksh 50000 from Suntra suppliers on credit

7 purchased good for sh 150000 from Temba stores on credit

15 returned goods worth sh 30000 to Temba stores

18 sold goods for sh 200000 to Atiti on credit

20 purchased goods for sh 180000 from KN stores on Credit

23 sold goods for sh 300000 to Jane on credit

25 Atiti returned goods worth sh 15000

28 returned goods worth sh 10000 to KN stores

30 sold goods for sh 120000 to Mary on credit

**Prepare;**

- i) Sales journal
- ii) Purchases journal
- iii) Returns inwards journal
- iv) Returns outwards journal (12 marks)

b) There are different errors which do not affect the double entry system. Explain four errors which do NOT affect the trial balance (8 marks)

## QUESTION THREE (20 MARKS)

a) Explain each of the following source documents (10 marks)

- i) Quotation
- ii) Debit note
- iii) Credit note
- iv) Purchases order
- v) Cash receipt

- b) The following trial balance was extracted from the books peter Ltd for the year ended September 30 2011. Draw the income statement and the balance sheet for the business as at 31st September 2011 (10 marks)

	Dr Sh	Cr Sh
Stock 1 <sup>st</sup> Oct 2010	23680	
Carriage outwards	2000	
Carriage inwards	2000	
Return inwards	3100	
Return outwards		3220
Purchases	118740	
Sales		186000
Salaries and wages	38620	
Rent	3040	
Insurance	780	
Motor expense	6640	
Office expense	2160	
Lighting and heating	1660	
General expenses	3140	
Premises	50000	
Motor vehicle	18000	
Fixture and fittings	3500	
Debtors	38960	
Creditors		17310
Cash at bank	4820	
Drawings	1200	
Capital		126360
	<b>332890</b>	<b>332890</b>

#### QUESTION FOUR (20 MARKS)

- a) Financial accounting is based on different accounting conventions and assumptions. Explain 5 assumptions in accounting (10 marks)
- b) John, a sole proprietor prepared the following Trial balance as at 31 December 2018

Details	Dr (sh)	Cr (sh)
Sales		942330
Motor vehicles		1250000
Provision for depreciation on motor vehicles (1 January 2018)		550000
Discount received	5000	
Carriage inwards		10000
Provision for bad debts	7000	
Drawings	35000	

Rent expense	23000	
Returns inwards		10000
Insurance	800	
Discounts allowed		4000
Postage and telephone		450
Commission received		8000
Stationery	1210	
Return outwards		12000
Salaries and wages	24400	
Bad debts written off		600
Capital		1869820
Lanad and buildings	1314690	
Purchahases	720000	
	<b>2131100</b>	<b>4657200</b>

Prepare a corrected Trial balance as at December 2018

(10 marks)

### QUESTION FIVE (20 MARKS)

- a) Explain four qualities of good accounting information
- b) Peter had the following balances on 1<sup>st</sup> January 2012; sh 150000 in the bank, sh 40000 cash in hand, purchases sh 10000 and sales sh 10000. The following transactions took place during the month;

January 1 purchased office equipment sh 30000 by cheque,  
Bought stock, sh 50000 by cheque

4 withdrew sh 25000 from bank for office use  
Purchased stationery, sh 600 in cash

12 sold goods on credit for sh 8000  
Bought goods sh 32000 on credit

25 received a cheque from debtors sh 4500  
Purchased stationery on credit sh 200 from Tom

30 received cash sh 2000 from debtors

Required:

Record the above transactions in the relevant ledger accounts and balance them off (12 marks)

### QUESTION SIX (20 MARKS)

- a) Explain the purpose of financial accounting in a business (8 marks)

b) On *April 01, 2016* Ann started business with sh 100,000 and other transactions for the month are:

*2.* Purchased Furniture for Cash sh 7,000.

*8.* Purchased Goods for Cash sh. 2,000 and for Credit sh 1,000 from Khalid Retail Store.

*14.* Sold Goods to Khan Brothers sh 12,000 and Cash Sales sh 5,000.

*18.* Owner withdrew of worth sh 2,000 for personal use.

*22.* Paid Khalid Retail Store sh 500.

*26.* Received sh 10,000 from Khan Brothers.

*30.* Paid Salaries Expense sh 2,000

Prepare a general journal to record the above transactions

(12 marks)