



# MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING, BANKING AND FINANCE

FIRST YEAR SECOND SEMESTER EXAMINATION FOR MODULE II

DIPLOMA IN BUSINESS MANAGEMENT

DIPLOMA IN SUPPLIES MANAGEMENT

FINANCIAL ACCOUNTING

**DATE: 31/8/2021**

**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) What is financial accounting? (2 marks)
- b) Explain the purpose of financial accounting in a business (6 marks)
- c) From the following trial balance of P Boones draw up statement of comprehensive income for the year ended 30 September 2002, and a statement of financial position as at that date. (12 marks)

	Dr	Cr
	Sh.	Sh.
Stock 1 October 19x8	23,680	
Carriage outwards	2,000	
Carriage inwards		3,100
Returns inwards		2,050
Returns outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures and fittings	3,500	
Debtors	38,960	
Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital		126,360
	<u>332,890</u>	<u>332,890</u>

## QUESTION TWO

- a) Financial accounting is based on numerous assumptions. Explain four assumptions in accounting (8 marks)
- b) The following information has been extracted from the books of ABC Ltd for the month of April 2002

	Sh
Balance as at 1st April 2002	
Sales ledger Dr balance	838000
Cr balance	184000
Purchases ledger Dr balance	196000
Cr balance	598000
<b>Transactions during the month</b>	
Sales on credit	8784000
Purchases on credit	7849000
Return inwards	248000
Return outwards	179000
Cheques received from trade debtors	2968000
Cheques paid to trade creditors	4674000
Cash paid to trade creditors	1393000
Bad debts written off	139000
Discount allowed to trade debtors	162000
Discount received from trade creditors	231000
Credit sales offset against trade purchases	356000
Credit purchase of motor vehicle posted in the purchase ledger	598000
Dishonored cheques from trade debtors	193000
Cash received to replace dishonored cheques from trade debtors	106000
An invoice of trade debts of 174000 was posted as	147000
Balances on 30 <sup>th</sup> April 20002	
Sales ledger; Cr balance	123000
Purchases ledger; Dr balance	177000

Required:

Prepare a sales and purchases ledger control accounts for the month ended 30<sup>th</sup> April 2002

(12 marks)

### QUESTION THREE

- a) Write up a three column cashbook for Mr. Kariuki from the details given below, then, balance off this cashbook at the end of the month and show the discount accounts in the general ledger

(10 marks)

2010

July 1	Balance b/f	Cash	sh 2500
		Bank	sh 7400
July 2	Bought goods by cheque		sh2000
July 3	Cash sales		sh1800
July 5	Banked cash		sh 2000
July 6	Paid by cheque, in a each case, each discount received 3%. John sh 1500, Jackson sh1400, Henry sh3000		
July 7	received a cheque, in each case, discount allowed 5%. Shaw sh4000, Benjamin sh3000, Mathew sh3200		
July 10	Bought office furniture by cheque sh3000		
July 15	Cash drawings sh500		
July 20	Paid to Ademan 800 cash less 3%		
July 22	Received cash from Smith sh 1500 less 4%		
July 30	Paid wages in cash sh1000		

- b) Enter the following transaction in a petty cashbook having analysis column for carriage, travelling expenses. Office expenses and stationery. Keep the book on an imprest system, the amount of imprest being sh 250. (10 marks)

1995

Feb 1 petty cash in hand sh 250

Feb 1 paid bus fare sh 37; carriage 14

Feb 2 paid bus fare sh 18; office expenses sh 12

Feb 3 bought stationery for sh 47

Feb 4 paid carriage sh 19; bus fare sh 25

Feb 5 bought stationery for sh 23

Feb 6 paid office expense sh 15

Balance the books as at February 6<sup>th</sup> 1995

#### QUESTION FOUR

- a) There are different errors which do not affect the double entry system. Explain five errors which do affect the trial balance (10 marks)
- b) The following trial balance was extracted from the books peter Ltd for the year ended September 30 2011. Draw the income statement for the business (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 FIVE

a) The cashbook for J.J traders for the month of December 2003 was as follows;

Date	Check no	Details	amount	Date	Check no	Details	amount
2/12	015	Kinyua	12000	1/12		Bal b/f	10000
10/12	116	Juma	14000	5/12	651	Jogoo	15000
18/12	125	Okumu	18000	12/12	652	Simba	16000
22/12	173	Musa	12000	20/12	653	Nyuki	10000
31/12		Bal c/f	7000	20/12	654	Nyati	12000
			<b>63000</b>				

The bank provided the following bank statement as at 31/12/2003

Date	Cheque no.	Details	Dr Sh	Cr sh	Bal Sh
1/12		Bal b/f	10000		(10000)
2/12	015			12000	(2000)
5/12	651		15000		13000
10/12	116			14000	
11/12		Ledger fee	2000		
12/12	652		16000		
18/12		Interest income		3000	(17000)
18/12		Commission			(14000)
18/12		Heritage insurance	3000		(15000)
		Bal			(18000)

### Required:

- i) Adjusted cashbook
  - ii) Bank reconciliation statement (10 marks)
- b) Creative Advertising, owned by Miss Abida Masood, provides advertising consulting services. During January 2011, the following events occurred:
- Jan. 2 Owner contributed sh. 50,000 and a new computer costing sh. 20,500 to start her business.
  - Jan. 4 Office supplies were purchased on account for sh. 4,000.
  - Jan. 10 Creative Advertising obtained 12% 5-year loan of sh. 20,000 from the bank.
  - Jan. 12 Creative Advertising paid the utility bills for sh. 2,750.

Jan. 15 Paid the sh. 3,000 in Accounts Payable from the purchase of office supplies on Jan. 4.

Jan. 24 Advertising services completed in January were billed to clients Annie's Flowers at sh. 18,300.

Jan. 27 Creative Advertising received sh. 5,500 from Annie's Flowers, a client, as payment on account.

Jan. 30 Miss Abida Masood withdrew sh. 6,000 of cash for personal use.

Required;

Journalize the above transactions (10 marks)

### QUESTION SIX

- a) Explain four source documents that can be prepared in a business (8 marks)
- b) You are drawing the accounts of Mwangangi, a sole proprietor. Your trial balance fails by a debit figure of sh 2400, which you pass to suspense account and proceed to draw the trading, profit and loss account for the year ended 31/12/03. You obtain net profit of sh 64000, later, you attempt to find the errors and you observe the following;
- |  |      |
|--|------|
| 1. Rent under cast   | 800  |
| 2. Rates overcast  | 2000 |
| 3. Sales over cast   | 2800 |
| 4. Cash payment to creditors entered in the cashbook only 1200 |      |
| 5. Complete omission of drawing by cheque                      | 600  |
| 6. A purchase of sh 7500 entered in the books as               | 5700 |
| 7. Investment income under cast                                | 400  |

Required;

- i) ledger accounts to correct the above errors
- ii) suspense account (12 marks)