



MACHAKOS UNIVERSITY

University Examinations 2021/2022 Academic Year

SCHOOL OF BUSINESS, ECONOMICS AND HOSPITALITY AND TOURISM

MANAGEMENT

DEPARTMENT OF BUSINESS ADMINISTRATION AND FINANCE

FIRST YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF COMMERCE

BAC 100: FUNDAMETALS OF ACCOUTING 1

DATE: 31/8/2022

TIME: 2.00-4.00 PM

INSTRUCTIONS

- Answer question **ONE (Compulsory)** and any other **TWO questions**

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Using an example in each case, describe the meaning of the following terms as used when accounting for business transactions.
- Accounting equation
 - Capital expenditure
 - Double entry concept
 - Source document. (8 marks)
- b) Jimmy stores had the following balances on 30th June 2020

	Shs.
Furniture	8,000
Accounts receivables	15,000
Accounts payable	11,000
Inventory	7,000
Cash at bank	13,000
Cash in hand	300
Equipment	38,000
Unpaid rent	3 000
Bank overdraft	3,000
Prepaid salary	2 000

Prepare Jimmy's statement of financial position (6 marks)

- c) Mercy works for TD manufacturers as petty cashier. She operates the petty cashbook on the imprest system with an imprest amount of sh. 10 000 monthly. The following were transactions for the month of July 2017:

July 1 Balance on 30th June 2017

- 1 Petty cash restored to imprest amount
- 2 Purchased receipt books and different coloured pens sh 800
- 3 Paid for internal transport sh 300
- 6 purchased airtime for internal communication sh 1200
- 10 bought sugar, milk sh. Sh. 700 and paid weekly cleaners sh.300
16. Bought photocopying papers sh. 1000
- 30 Petty cash restored to imprest amount

Prepare QD manufacturers' petty cashbook for the month of June 2017 using the following analysis columns: cleaning, stationery, transport, communication and staff tea. (10 marks)

- d) State and describe the four main accounting assumptions that underlie the preparation of financial statements (6 marks)

QUESTION TWO (20 MARKS)

The following transactions relate to Hello Enterprises for the month of March 2018. (Amounts in thousands)

March 1. Started business with Ksh.16, 000 cash.

1. Deposited ksh.14 000 in the bank.
7. Purchased a delivery van paying by cheque Ksh.6 400
13. Bought office furniture Ksh 900 on credit from Oxm Ltd.
16. Bought goods on credit from Caron suppliers Ltd Ksh 5,100
19. Took Ksh 180 out of the bank and put it into the cash till
20. Bought office furniture paying by cash Ksh.120.
23. Cash sales ksh. 4,000.
27. Paid Caron suppliers Ltd by cheque Ksh 5 100.
31. A loan of Ksh. 800 cash was received from B. Betty

Required:

- a) Enter the above transactions in the relevant ledger accounts. (15 marks)
- b) Extract the trial balance as at 31st March 2018. (5 marks)

QUESTION THREE (20 MARKS)

- a) Melina operates a motor cycle 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 not recorded in the accounting books.
 2. Purchases of an office computer sh. 50,000 was recorded in the purchases account
 3. Payment to creditor N.Joe sh. 70,000 was recorded in his account only .
 4. Discount received sh. 30,000 was debited in the discount allowed account
 5. Credit sales to H. Mola sh 34 000 were debited in the sales account and credited to H.mola's account
 6. Payment for electricity sh. 43,000 was recorded in electricity account as sh. 34,000
 7. Kip withdrew cash sh. 5,000 from the bank for personal use. No entry was made in the books of accounts.
 8. Sales account and purchases account were each under cast by sh 6000.
 - 9.A dishonoured Sh. 4 000 cheque received from debtors was only recorded in the cash book.

Required

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

- b) Timo stores made the following credit sales in the month of October 2017
- October 2 Credit sales to T.Moey Invoice No 5121 sh. 3,000
- October 4 Credit sales to M.Peter Invoice No. 0614 sh. 5,000
- October 11 Credit sales to P.Charles invoice No. 7143 sh. 6,000
- October 15 Credit sales to T. Moey Invoice No. 5164
- October 26 Credit sales to E.Joy Invoice No. 0113 sh. 5,000
- October 31 credit sales to M Peter invoice number 0781 sh.6 000

Required;

For the month of October 2017; prepare the,

- i. Sales Journal. (3 marks)
- ii. Sales account (3 marks)

iii. Sales ledger accounts showing the above transactions.

(3 marks)

QUESTION FOUR (20 MARKS)

a) On 1st June 2019, Nelly had cash at hand Sh. 8 000 and sh. 45 0000 cash in the bank .During the month, the following transactions took place:-

- June 2 Cash sales Sh. 6 500 paid direct into the bank.
- June 5 purchased goods Sh. 15 000 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 Neno stores sh.4 214 by cheque having been allowed 2% discount

Prepare Nelly's' three column cashbook for the month of June 2016 duly balanced. (10 marks)

b) The following balances was extracted from the books of Tina stores for the year ended 31st December 2018.

Balances on 1.1.2018	shs.	Shs.
Purchases ledger: Credit	60 000	
Sales ledger: Debit	4 500 000	
	Credit	38 000

Totals for the year:

Sales journal	3 600 000
Purchases journal	120 000
Sales returns journal	72 000
Purchases returns journal	30 000
Discount allowed	63 000
Cheques received from debtors	900 000
Cheques paid to creditors	80 000
Cheques from debtors- dishonoured	70 000
Cheques to creditors- dishonoured	5 000
Cash received from debtors	1 700 000
Bad debts written off	14 000
Inter-account settlement	3 000
Refund to debtors	7 000
Sales ledger credit balance (31.12.2018)	9 000

Prepare:

- i. Sale ledger control as at 31st December 2018 (6 marks)
- ii. Purchases ledger control account as at 31st December 2018 (4 marks)

QUESTION FIVE (20 MARKS)

Joyce runs an hardware business in her home town .His trial balance for the period ending 31st December 2015 was as follows:

	Dr Sh '000'	Cr sh '000'
Motor vehicles	3 000	
Furniture	2 500	
Inventory (1.1.15)	2 200	
Purchases	9 000	
Sales		17 500
Returns inwards	800	
Returns outwards		400
Carriage inwards	500	
Rent	900	
Electricity	800	
Salaries and wages	600	
Drawing	200	
Land and buildings	5 000	

Discounts	700	800
Carriage out	400	
Bad debts	600	
Accounts receivable	3 600	
Provision for bad and doubtful debts		300
Accounts payable		2 000
Capital		<u>9 800</u>
	<u>30,800</u>	30 800

Additional information

1. Inventory as at 31.12.2015 was sh 3,500,000
2. Depreciation is to be provided on- motor vehicle 15%
-furniture 10%
3. Provision for bad and doubtful debts is to be increased by sh.100.
4. Unpaid expenses-Motor vehicle expenses sh. 100 000
- Electricity sh. 200,000
5. Unpaid salaries and wages amount to shs. 100,000

Required:

- a) Income statement for the year ended 31st December 2015. (12 marks)
- b) Statement of financial position as at 31st December 2015. (8 marks)