



# MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT  
SCIENCES

FIRST YEAR SECOND SEMESTER EXAMINATION FOR CERTIFICATE IN  
PROCUREMENT AND SUPPLIES MANAGEMENT

CPS 109 FINANCIAL ACCOUNTING

DATE: 6/12/2016

TIME: 2:00 – 4:00 PM

## INSTRUCTIONS.

Answer Question One and Any Other Two Questions

1. a) Insert the missing figures in the table below. (4 marks)

	Assets (Sh)	Liabilities (Sh)	Capital (Sh)
i	1,400,000	750,000	
ii		124,000	135,000
iii	630,000		252,000
iv	823,000		500,000

- b) Explain the following source documents. (6 marks)
- i) Sales invoice
  - ii) Credit note
  - iii) Purchase invoice
- c) Kaita Traders had cash in hand of Kshs. 72,500 and cash at bank of Kshs. 300,000. The following transactions took place during the month of June 2016.
- June 1 - Made cash sale of Kshs. 82,000
  - June 10 - Received a cheque of Kshs. 90,000 from Paul, Customer.
  - June 18 - Paid wages of Kshs. 25,000 by cash.
  - June 25 - Withdrew Kshs. 45,000 from bank for office use.

- June 28 - Received Kshs. 110,000 from Jasho traders.  
 June 30 - Proprietor took Sh. 30,000 of cash for personal use.

**Required**

Prepare a two column cash book for the month of June 2016. (6 marks)

d) Explain the following terms: (4 marks)

- i) Capital
- ii) Assets

e) The following balances were extracted from the books of Kibati Traders as at 31 December 2015

	Sh
Inventory (1 January 2015)	4,000,000
Salaries and wages	4,200,000
Rent	1,000,000
Stationary	150,000
Electricity	500,000
Purchases	14,000,000
Sales	25,000,000
Carriage outwards	250,000
Returns outwards	500,000

On 31 December 2015 inventory was valued at Sh. 3,000,000

**Required**

Income statement for the year ended 31<sup>st</sup> December 2015. (10 marks)

2. In September 2016, Kiko started a retail shop with a starting capital of Sh. 40,000 cash in hand and Sh. 90,000 at bank. The following transactions took place in the month of September 2016.

- September 1 - Bought goods for cash Sh. 26,000
- September 2 - Sold goods for cash Sh. 12,000
- September 6 - Sold goods on credit to Otero at Sh. 15,000
- September 10 - Sold goods on credit to James at Sh. 18,000
- September 12 - Purchased goods on credit at Sh. 68,000 from Mavoko traders
- September 14 - Paid Sh. 25,000 Mavoko traders by cheque
- September 18 - Received Sh. 15,000 in cash from Otero in full settlement of his account.

- September 19 - Paid electricity bill sh. 2,000 by cash.
- September 20 - Banked Sh. 10,000 from the cash till.
- September 21 - Goods worth Sh. 3,000 were returned by Mavoko traders.
- September 23 - Made cash sales of Sh. 45,000 and banked Sh. 30,000
- September 24 - Purchased furniture on credit from Pendo furniture mart for Sh. 18,000
- September 27 - Withdrew Sh. 8,000 in cash for private use
- September 28 - Paid wages to a shop assistant Sh. 12,000 by cash
- September 30 - Received cash Sh. 12,000 from James.

**Required**

- a) Ledger accounts to record the transactions above.
  - b) Trial balance as at 31 September 2016. (20 marks)
3. The following trial balance was extracted from the books of Bidii traders at 31 December 2015.

	<b>DR</b>	<b>CR</b>
	<b>Sh 000</b>	<b>Sh 000</b>
Capital	-	622
Purchases	12,000	
Accounts receivable	1,800	
Accounts payable	-	920
Plant and machinery	3,200	
Motor vehicles	2,000	
Salaries and wages	2,812	
Stationary	120	
Carriage in wards	60	
Opening inventory	2,100	
Bad debts	60	
Office expenses	70	
Returns in wards	<u>10</u>	
Sales		22,600
Returns outward		<u>90</u>
	<b><u>24,232</u></b>	<b><u>24,232</u></b>

Closing inventory as at 31<sup>st</sup> December 2015 was valued at Sh. 2,850,000

**Required**

- a) Income statement for the year ended 31<sup>st</sup> December 2015
- b) Statement of financial position as at 31<sup>st</sup> December 2015 (20 marks)

4. a) Explain four qualities of good accounting information. (8 marks)
- b) On 1<sup>st</sup> September 2016, the cash book of W. Samoki showed a debit balance of Sh. 120,000. His bank statement showed credit balance of Kshs. 45,4.00 the same date. Investigation revealed the following
- Bank charges amounted to Sh. 5,800
  - Standing order of Sh. 16,000 had been paid by the bank.
  - Direct deposit of Kshs. 25,600 was made by a customer.
  - Dishonoured cheques amounted to Sh. 46,700.
  - Uncredited cheques amounted to Sh. 216,700.
  - Unpresented cheques amounted to Sh. 180,000.
  - The debit side of the cash book was understated by Sh. 5,000.

**Required**

- a) An adjusted cash book
- b) A bank reconciliation statement as at 30<sup>th</sup> September 2016.
5. a) Explain the interest of each of the following in financial statement of a business.
- i) Investors
  - ii) Suppliers
  - iii) Employers
  - iv) Government (10 marks)
- b) The following credit transactions relate to Kanini traders for the month of July 2016.
- |          |  |
|----------|--|
| July 1-  | Bought stock Sh. 6,000 from Rono traders.    |
| July 3-  | Sold goods to Juma Sh. 17,000.               |
| July 5-  | Bought stock Sh. 45,000 from Nafuu Ltd.      |
| July 10- | Returned goods worth Sh. 4,000 to Nafuu Ltd. |
| July 18- | Juma returned goods worth Sh. 2,000.         |
| July 21- | Sold goods to Njeri Sh. 6,500.               |
| July 24- | Sold goods to Kaki Kshs. 12,500.             |
| July 29- | Bought goods from Pendo Kshs. 18,000         |
| July 31- | Njeri returned goods worth Sh. 1,400.        |

**Required**

Enter the above transactions in the day books.