



# MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

FIRST YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF COMMERCE

BAC 100: FUNDAMENTALS OF ACCOUNTING I

DATE: 27/9/2019

TIME: 2:00 – 4:00 PM

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**Instructions:**

- i. Answer question one and any other two questions.
- ii. Marks allocated for each question are shown at the end of the question.
- iii. Show your working where necessary.

1. a) Giving ONE relevant example in each case, explain the following terms.
  - i) Asset
  - ii) Revenue
  - iii) Expense
  - iv) Liability

(8 marks)
- b) Fill the missing figures in the table below.

| ASSETS (Sh.) | CAPITAL (Sh.) | LIABILITIES (Sh.) |
|--------------|---------------|-------------------|
| 513,470      | 114,375       | ?                 |
| ?            | 1,093,554     | 451,008           |
| 3,000,071    | ?             | 1,999,073         |
| 499,111      | 298,892       | ?                 |
| ?            | 3,000,021     | 2,001,117         |

(10 marks)

(c) Kashujaa is a sole trader. As at 30<sup>th</sup> April 2016, the following balances were extracted from his books.

|                 |         |
|-----------------|---------|
|                 | Shs.    |
| Sales           | 394,500 |
| Purchases       | 228,500 |
| Office expenses | 19,000  |

|                    |         |
|--------------------|---------|
| Insurance          | 700     |
| Wages              | 79,000  |
| Rates              | 28,000  |
| Lighting & Heating | 12,000  |
| Telephone          | 6,000   |
| Discount Allowed   | 11,000  |
| Opening Stock      | 5,000   |
| Returns Inwards    | 2,000   |
| Return Outwards    | 1,500   |
| Premise            | 400,000 |
| Plant & Machinery  | 50,000  |
| Motor Vehicle      | 120,000 |
| Debtors            | 125,000 |
| Bank balance       | 78,000  |
| Creditors          | 34,000  |
| 3 Year bank loan   | 100,000 |
| Capital            | 600,000 |
| Drawings           | 40,000  |
| Closing stock      | 5,500   |

**Required:** Extract a Trial Balance from the above list of balances. (12 marks)

2. Q1. The following transactions took place in the month of May 2017.
- 2017
- May 3: Sold goods Sh. 125,000 on credit to Jacobs invoice no. CP/0124/17
- May 5: Bought goods Sh. 80,000 on credit from Muga Suppliers invoice no. RS 027
- May 7: Returned goods to Muga Suppliers Sh. 12,000
- May 8: Bought goods Sh. 170,000 from Kikwetu enterprises invoice no. ZC/089/T
- May 11: Sold goods Sh. 37,000 on Credit to Jamleck invoice no. CP/0125/17
- May 13: Sold goods Sh. 67,000 on credit to Joakim invoice no. CP/0126/17
- May 17: Bought goods on credit Sh. 95,200 from Mambo traders invoice no. 147/F
- May 18: Jamleck returned goods Sh. 4000.
- May 20: Returned goods to Mambo traders Sh. 2,200
- May 21: Sold goods on credit to Jacobs on credit Sh. 25,000 invoice no. CP/0127/17
- May 23: Bought goods on Credit Sh. 128,000 from Muga Suppliers invoice no. RS 041
- May 24: Cash purchases amounted to Sh. 46,000.
- May 26: Cash sales Sh. 70,100.
- May 28: Credit purchases from Waigwa Sh.21, 000 invoice no. W235/YT
- May 29: Retuned goods to Waigwa Sh. 1,500
- May 30: Sold goods on credit to Joakim Sh. 52,500 invoice no. CP/0128/2017.
- May 30: Credit purchases from Kikwetu enterprises. Sh.140, 000 invoice no. ZC/097/T
- May 31: Joakim returned goods Sh. 1,500

**Required:** Prepare;

- a) Sales journal
- b) Purchases journal
- c) Sales Returns journal
- d) Purchases returns journal

(20 marks)

3. The following information is availed to you in relation to Alpha & Omega co.Ltd.

**2016**

|        |                    |         |
|--------|--------------------|---------|
| Feb 1: | <b>Balance b/d</b> | Sh.     |
|        | Cash               | 110,000 |
|        | Bank               | 385,000 |
|        | <b>Debtors:</b>    |         |
|        | Sarakasi           | 160,000 |
|        | Kawira             | 100,000 |
|        | Rufus              | 120,000 |
|        | <b>Creditors:</b>  |         |
|        | Kilimo             | 120,000 |
|        | Matata             | 200,000 |
|        | Kutesa             | 280,000 |

**The following transactions took place in the month of Feb, 2016**

- Feb 3. Kawira settles her account by cheque after deducting 5% cash discount.
- Feb 7: Paid amount owing to Kilimo by cheque less 2.5% cash discount.
- Feb 10: Withdrew sh. 150,000 in cash from the bank for business use.
- Feb 15: Sold goods on credit to Kawira sh. 220,000
- Feb 17: Sarakasi paid the amount owing by cheque less 2.5% cash discount.
- Feb 20: Paid wages by cheque sh. 315,000
- Feb 22: Paid the amount owing to Matata by cheque after deducting 5% Cash discount
- Feb 25: Rufus paid the amount owing by cheque less 2.5% cash discount.
- Feb 28: Paid the amount owing to Kutesa by cheque after deducting 2.5% cash discount

**Required:**

Prepare a 3-column cash book for Alpha & Omega co. Ltd clearly showing the above transactions and balance it as at Feb 28, 2016. (20 marks)

4. From the following trial balance of Mlenga Mbele enterprises, prepare an income statement for the year ending December 31, 2016 and a balance sheet as at that date, taking into consideration the adjustments shown below.

| <b>TRIAL BALANCE</b>            |                |                |
|---------------------------------|----------------|----------------|
| <b>AS AT 31 DEC, 2016</b>       |                |                |
| <b>ITEM</b>                     | <b>DR</b>      | <b>CR</b>      |
|                                 | Sh.            | Sh.            |
| Sales                           |                | 400,000        |
| Purchases                       | 350,000        |                |
| Purchases Returns               |                | 6,200          |
| Sales Returns                   | 5,000          |                |
| Opening Inventory               | 100,000        |                |
| Allowance for doubtful debts    |                | 800            |
| Wages and Salaries              | 30,000         |                |
| Rates                           | 6,000          |                |
| Telephone                       | 1,000          |                |
| Shop fittings at cost           | 40,000         |                |
| Van at cost                     | 30,000         |                |
| Accounts receivable and payable | 9,800          | 7,000          |
| Bad debts                       | 200            |                |
| Capital                         |                | 179,000        |
| Bank balance                    | 3,000          |                |
| Drawings                        | <u>18,000</u>  |                |
|                                 | <u>593,000</u> | <u>593,000</u> |

**Additional information:**

- i. Closing inventory at Dec 31, 2016 was sh. 120,000
  - ii. Rates prepaid sh. 500
  - iii. Accrued wages sh. 5000
  - iv. The allowance for doubtful debts to be increased to 10% of accounts receivable.
  - v. Telephone account outstanding sh. 220
  - vi. Depreciate Shop fittings at 10% p.a and Van at 20% p.a on cost.
5. The following accounting information was extracted from the books of Mr. Juma for the month of September 2016.
- i) Started a business with Sh. 40,000 cash
  - ii) Bought goods for sale cash Sh. 12,000
  - iii) Paid rent sh. 4000
  - iv) Sold goods for Sh. 20,000 cash
  - v) Paid wages and salaries Sh. 16,000 cash
  - vi) Bought furniture on credit from Ashal Ltd Sh. 100,000
  - vii) Bought goods on credit from Maida sh. 30,000 and Mutua Sh. 10,000
  - viii) Paid cash Maida Sh. 15,000, Mutua Sh. 4,000

**Required:**

Record the above transaction in appropriate ledger accounts and balance them of