MACHAKOS UNIVERSITY

University Examinations 2022/2023

DIRECTORATE TVET

SECOND YEAR FIRST TERM EXAMINATION FOR

DIPLOMA IN BUSINESS MANAGEMENT

DIPLOMA IN PROCUREMENT AND SUPPLIES MANAGEMENT

FINANCIAL ACCOUNTING

DATE: 29/3/2023 TIME: ____8:30 – 11:30 AM

INSTRUCTIONS TO CANDIDATES

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 each of the following accounting concepts (8 marks)

i) Accrual concept
ii) Dual aspect concept
iii) Going concern concept
iv) Money measurement concept

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

2005

Feb 1 petty cash in hand sh 250

Feb 1 paid bus fare sh 37; carriage 14

Feb2 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 6th 1995

QUESTION TWO

a) Financial accounting is used by different users to make informed decisions. Explain five users of financial information (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	
Purcahases	720000	
	2131100	**4657200**

Prepare a corrected Trial balance as at December 2018 (10 marks)

QUESTION THREE

a) Explain four qualities of good accounting information (8 marks)

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 1st 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
	332890	**332890**

Closing stoc as at 31st September, 2011 was 29,460

QUESTION FOUR

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

a) Quotation
b) Debit note
c) Credit note
d) Purchases order
e) Cash receipt

b) Peter had the following balances on 1st 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

(10 marks)

QUESTION FIVE

a) 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 (10 marks)

b) 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 18000[0 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 (10 marks)

Question 6

a) Explain each of the following accounting terms

I. Error of principle
II. Error of commission
III. Error of original entry
IV. Error of complete reversal of entries (8 marks)

V. 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 (12 marks)

2010

July 1 Balance b/f Cash sh 2500

Bank sh 7400

July2 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