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*(University Of Choice)*

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY  
(MMUST)  
Main Campus**

**UNIVERSITY EXAMINATIONS**

**2021 /2022 ACADEMIC YEAR**

**SCHOOL OF COMPUTING AND INFORMATICS  
(SCI)**

**EXAMINATION FOR**

**THE DIPLOMA IN INFORMATION TECHNOLOGY**

**COURSE CODE: DIT 070**

**COURSE TITLE: PRINCIPLES OF ACCOUNTING**

**DATE: 21/04/2022**

**TIME: 1 HOUR 30 MINUTES**

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**INSTRUCTIONS TO CANDIDATES**

**Section (A) is compulsory**

**Answer TWO questions in section B**

**TIME: 2 Hours**

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.



**INSTRUCTIONS:**

**SECTION A: COMPULSORY - 24 MARKS**

**QUESTION ONE:**

1. (a) Explain the meaning and purpose of Accounting? Why is accounting considered an Information System? **(6 Marks)**  
(b) Identify and explain any **THREE** basic forms of business organizations **(6 Marks)**  
(c) Identify and describe the key goals and activities of business organization **(6 Marks)**  
(d) Identify **FIVE** users of financial statements and their information needs? **(6 Marks)**

**QUESTION TWO: (18 MARKS)**

- (a) The following list of assets and liabilities was drawn from the ledger of Mr. William as at December, 31, 2020

	Kshs.
Land and buildings	200,000
Creditors	25,000
Capital	200,000
Stock	50,000
Loan form Bank	65,000
Debtors	13,000
Motor van	25,000.
Cash at Bank	2,000

You are required to prepare a balance sheet and show the totals of:

- (i) Fixed assets  
(ii) Current assets  
(iii) Owners capital  
(iv) Current liabilities

**(8 Marks)**

- (b) The following trial balances were extracted from the books of P. Muchere for the year ended 30<sup>th</sup> September, 2020

	Dr Shs.	Cr Shs.
Stock 1 October 2020	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	<u>126,360</u>
	<u>332,890</u>
	<u>332,890</u>

**Required:**

- (i) Draw up P. Muchere's trading and profit and loss account for the year ended 30<sup>th</sup> September 2020 **(6 Marks)**
- (ii) Draw up Muchere's balance sheet as at 30<sup>th</sup> September, 2020 **(4 Marks)**

**QUESTION THREE: (18 MARKS)**

- (a) ) Explain the nature of accounting and the accounting equation **(4 Marks)**
- (b) Define and distinguish the following accounting terms:  
 (i) Capital Expenditure and Income Expenditure  
 (ii) Revenue Expenditure and Revenue Income  
 (iii) Investment and intangible assets  
 (iv) Return Inwards and Return outwards  
 (v) Debtors and Creditors **(10 Marks)**

- (c) The following details for the year ended 31<sup>st</sup> March, 2021 are available. Draw up the trading account of R Sings for that year.

Stocks: 1 April 2020	Sh.
Returns inwards	16,523
Returns outwards	1,372
Purchases	2,896
Carriage inwards	53,397
Sales	1,122
Stocks: 31 March 2021	94,600
	14323

**(4 Marks)**

#### QUESTION FOUR (18 MARKS)

(a) Discuss the concept of double entry. What is a ledger? (6 Marks)

(b) (i) Write up the asset, capital & liability accounts in the books of T. Karwitha to record the following transactions:

2020

- June 1 Started business with Sh.50,000 in the bank.
- “ 2 Bought motor van paying by cheque Sh.12,000.
- “ 5 Bought Fixtures Sh.4,000 on credit from Office Masters Ltd.
- “ 8 Bought a van on credit from Motor Cars Ltd Sh.8,000.
- “ 12 Took Sh.1,000 out of the bank and put it into the cash till.
- “ 15 Bought Fixtures paying by cash Sh.600.
- “ 19 Paid Motor Cars Ltd by cheque Sh.8000.
- “ 21 A loan of Sh.10,000 cash is received from J Marcus.
- “ 25 Paid Sh.8,000 of the cash in hand into the bank account.
- “ 30 Bought more Fixtures paying by cheque Sh.3,000.

(ii) Prepare the balance sheet, from the list of balances of T. Karwitha as at 31<sup>st</sup> June, 2020 (8 Marks)

(4 Marks)

#### QUESTION FIVE (18 MARKS)

(a) Define a Trial Balance. State and explain the Errors affecting and those not affecting the Trial (6 Marks)

(b) Write up the following transactions in the books of C. Nicole:

2021

- March 1 Started business with cash Sh.1,000.
- “ 2 Bought goods on credit from A Clinks Sh.296.
- “ 3 Paid rent by cash Sh.28.
- “ 4 Paid Sh.1,000 of the cash of the firm into a bank account.
- “ 5 Sold goods on credit to J Simpson Sh.54.
- “ 7 Bought stationery Sh.15 paying by cheque.

- “ 11 Cash sales Sh.49.  
“ 14 Goods returned by us to A Cliks Sh.17.  
“ 17 Sold goods on credit to P Lutz Sh.29.  
“ 20 Paid for repairs to the building by cash Sh.18.  
“ 22 J Simpson returned goods to us Sh.14.  
“ 27 Paid A Cliks by cheque Sh.279.  
“ 28 Cash purchases Sh.125.  
“ 29 Bought a motor vehicle paying by cheque Sh.395.  
“ 30 Paid motor expenses in cash Sh.15.  
“ 31 Bought fixtures Sh.120 on credit from R west.

**Required:**

- (i) Balance off the accounts of C. Nicole as at 31<sup>st</sup> March, 2021 (6 Marks)  
(ii) Prepare C. Nicole's Trial balance, from the list of balances as at 31<sup>st</sup> March, 2021 (6 Marks)