



(University of Choice)

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

MAIN, WEBUYE, BUNGOMA, NAIROBI CAMPUS

**SPECIAL/SUPPLEMENTARY EXAMINATIONS
2021/2022 ACADEMIC YEAR**

**FOR THE DEGREE
OF
BSc (ACCOUNTING) & BACHELOR OF COMMERCE**

COURSE CODE: BCA100

**COURSE TITLE: INTRODUCTION TO FINANCIAL
ACCOUNTING**

DATE: TEUSDAY, 26TH JULY 2022

TIME: 8-10 AM

INSTRUCTIONS TO CANDIDATES

Attempt **QUESTION ONE** and **ANY OTHER TWO** questions

TIME: 2 Hours

MUST observe **ZERO** tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over.

QUESTION ONE (30 MARKS)

- a) Papa Mercy is a sole trader who opened a shop in Mombasa, on 1st July 2021. The following transactions took place in the month of July 2021:
- i) Introduced Sh.150, 000 in cash into the business from his private bank account.
 - ii) Opened a business bank account by transferring Sh. 130,000 the business cash into the account
 - iii) Bought second-hand shop equipment at Sh.3, 000 and paid by cheque.
 - iv) Purchased goods worth 7,000 and paid by cheque 6,800 in full settlement.
 - v) Sold goods for 17,000 and received 8,500. The rest to be settled later.
 - vi) Made sales and received 11,000 in full settlement of goods worth 12,500
 - vii) Purchased goods paying 2,350 after receiving a 6% discount
 - viii) Sold on credit goods worth Sh.1 0,000 to Frida Atieno.
 - ix) Frida Atieno returned goods worth Sh.5,000.
 - x) Received a cheque of Sh4,500 from Frida Atieno in full settlement of her account,
 - xi) Sold some of the second-hand shop equipment at Sh.1, 000 in cash.
 - xii) Made cash withdrawal Sh1, 500 for his private use
 - xiii) 2% of Debtors account balance sh.20, 000 were unable to pay. The rest settled the amount fully by cheque.
 - xiv) Rent expense for the July is sh.5000 but a payment of sh.7,000 was made by James in the month.

Required:

Prepare the necessary journal Entries to record the above transactions. **(20 Marks)**

- b) On 1st January 2020, motor vehicle account for Hakika traders had a balance of Ksh 5million while accumulated motor vehicle depreciation account had an opening balance of sh 3million. On the same date, Hakika traders purchased a motor vehicle for sh. 2500,000 paying by cheque. On 1st June 2020 the business acquired another motor vehicle for sh. 4,500,000 paying by cheque. The motor vehicle is to be depreciated at 15% p.a on a straight line basis. (A full year depreciation is provided in the year of acquisition). Open the following accounts;
- i. Motor vehicle account
 - ii. Accumulated Motor vehicle depreciation account
 - iii. Income statement Extract for year ended 31st December 2020. **(10 Marks)**

QUESTION TWO

- a) Discuss factors that may cause a cheque to be dishonored by the bank. (4 Marks)
- b) A trainee accountant working for Hope ltd prepared the following summarized cashbook for the month of March 2022;

Balance b/d (1st March 2022	Sh. 561,000
Receipts	3,748,000
Payments	(4,189,000)
Bal c/d (31 st March 2022)	120,000

On checking the cashbook bank balance against the bank statement balance, the following discrepancies were discovered;

- i. Bank charges were sh 8000

- ii. The bank had debited a cheque of sh 37,000 in error to the accountant of Hope ltd
- iii. Cheque totaling to sh 96,000 had not been presented to the bank by the firm's suppliers for payment
- iv. Dividend received of sh 42,000 had been credited in the bank statement but not yet recorded in the cash book
- v. Cheque received of sh 484,000 had been entered in the cashbook but not yet credited by the bank
- vi. A cheque for sh 17,000 had been returned by the bank marked refer to the drawer. No entry was made in the cashbook relating to this
- vii. Opening balance in the cashbook should have been sh 651,000
- viii. The bank statement shows that there was an overdraft as at 31st March 2022 of sh 198,000

Required:

- a) Prepare an updated cash book, and then (8 mark)
- b) Prepare a bank reconciliation statement as at 31st march 2022. (8 Marks)

QUESTION THREE: 20 MARKS

- a) Discuss any five accounting concepts that guide in the preparation and presentation of financial statements. (10 Marks)
- b) The following information was extracted from the books of Birika traders for the month of May 2013.

May	1	Started business with capital in cash 1,000.
"	2	Paid rent by cash 100.
"	3	F Lake lent us 5,000, paid by cheque.
"	4	We paid B McKenzie by cheque 650.
"	5	Cash sales 980.
"	7	N Miller paid us by cheque 620.
"	9	We paid B Burton in cash 220.
"	11	Cash sales paid direct into the bank 530.
"	15	G Moores paid us in cash 650.
"	16	We took 500 out of the cash till and paid it into the bank account.
"	19	We repaid F Lake 1,000 by cheque.
"	22	Cash sales paid direct into the bank 660.
"	26	Paid motor expenses by cheque 120.
"	30	Withdrew 1,000 cash from the bank for business use.
"	31	Paid wages in cash 970.

Required:

Prepare a double column cashbook and show the balances at the end of the month. (10 Marks)

QUESTION FOUR

The following Trial Balance was extracted from the books of P. Shimanyula, a businessman in Kakamega town for the year ended 31st December 2021:

	Sh '000'	Sh '000'
Capital		40,000
Purchases	26,154	
Sales		36,246
Salaries expense	4,814	
Opening stock	4,307	
Insurance	820	
Rent income		965
Buildings (cost)	25,000	
Furniture(cost)	14,500	
Trade receivables	6,140	
Other expenses	1,060	
Trade payable		4,638
Commission income		946
	<u>82,795</u>	<u>82,795</u>

Additional information:

1. Salaries outstanding as at 31 December 2021 was sh 350,000
2. Insurance was paid for one year up to 31st March 2022
3. Rent income received for January 2021 was sh 165,000.
4. Commission income accrued during the year but not yet received was sh 120,000.
5. Furniture to be depreciated by 10% on straight line basis
6. A provision for doubtful debts of 5% of debtors is to be created
7. Stock on 31st December 2020 was valued at sh5, 008,000.

Required:

- a) Income statement for P Shimanyula for the year ended 31st December 2021 (11 Marks)
- b) Classified statement of Financial position as at the same date (9 Marks)