(*University of Choice*)

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY

(MMUST)

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

FIRST YEAR SEMESTER ONE EXAMINATION

FOR DIPLOMA

IN

BUSINESS MANAGEMENT

COURSE CODE: DAB 100

COURSE TITLE: INTRODUCTION TO FINANCIAL ACCOUNTING

DATE: MONDAY, 25TH JULY 2022   **TIME: 8-10 AM**

INSTRUCTIONS TO CANDIDATES

Attempt **QUESTION ONE** and any **OTHER TWO** Questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

QUESTION ONE

a) Brian is a sole trader. At 30th June, 2022 the following balances have been extracted from his books:

	Sh.
Sales	47,600.00
Purchases	22,850.00
Office expenses	1,900.00
Insurance	700.00
Wages	7,900.00
Rates	2,800.00
Heating and Lighting	1,200.00
Telephone	650.00
Discounts allowed	1,150.00
Opening stock	500.00
Returns inwards	200.00
Returns outwards	150.00
Premises	40,000.00
Plant and Machinery	5,000.00
Motor Vehicles	12,000.00
Debtors	12,500.00
Bank balance	7,800.00
Creditors	3,400.00
Loan-long term loan	10,000.00
Capital	60,000.00
Drawings for the year	4,000.00
Closing stock	550.00

Required:

i) Construct a trial balance, from the above list of balances. (10 Marks)

ii) Prepare the income statement for the year ended 30.6.2022 (8 Marks)

iii) The statement of the financial position as at that date (6 Marks)

b) Describe three types of errors that cannot be disclosed by a trial balance. (6 marks)

QUESTION TWO

a) A cashier in a firm starts with Sh. 2,000 in the month of March (that is the cash float). In the following week, the following payments are made:

Sh.

1st March – bought stamps for 80

2nd March – paid bus fare for 120

2nd March – cleaning materials 240

3rd March – bought fuel 150

3rd March – cleaning wages 300

4th March – bought stamps 200

4th March – paid L. Thompson (creditor) 400

5th March – fuel costs 150

On the 5th of March the cashier requested for a refund of the cash spent and this amount was reimbursed back.

Required:

Prepare a detailed petty cash book showing the balance to be carried forward to the next period and the relevant expense accounts, as they would appear on the General Ledger. (10 Marks)

b) State and explain three methods of depreciation (6 marks)

c) Define a suspense account and state two reasons why it could be opened. (4 Marks)

QUESTION THREE

a) The bank balance shown by passbook of X enterprises was Sh. 78,900 whereas the cashbook shows the balances of cash of bank as Sh. 87,620 as on 31/3/2022

The following differences were located while comparing the transaction recorded in the cashbook and passbook of X enterprises:

1. Cheque issued from personal account of X enterprises debit to firm's account 6,000
2. Cheque deposited but not yet collected by bank 3,600
3. A cheque deposited into the bank and collected but not recorded in the cashbook 5,400
4. A cheque from a customer dishonored 2,800

5. A cheque issued but not yet presented for payment 7,200
6. Direct payment made by bank 4,000
7. Amount deposited by customers into the bank 1,750
8. A bill dishonored with the bank earlier was dishonored when presented on maturity 8,300
9. Bank charges 640
10. Calculation of interest and dividend by bank 2,220

You are required to prepare:

i) Adjusted cashbook (10 Marks)
ii) Bank reconciliation statement (6 Marks)

b) State and explain limitations of accounting (4 marks)

QUESTION FOUR

a) Accounting concepts are important in the preparation of financial information. Discuss any five accounting concepts. (10 marks)

b) Write a two-column cash book from the following detail and balance off as at the end of the month. (10 Marks)

2021
Oct 1: Started business with capital in cash Sh. 1,000,000
Oct 2: Paid rent by cash Sh. 100,000
Oct 3: Loan from Mary- Sh. 500,000, paid by cheque.
Oct 4: Paid B. Peter by cheque Sh. 65,000
Oct 5: Cash sales made Sh. 98,000
Oct 7: Mitter, owe of debtor paid by cash Sh.62, 000
Oct 9: Paid Den (creditor) in cash 22,000
Oct 11: Cash sales paid direct into the bank Sh. 53,000
Oct 15: George (creditor) paid as by cheque Sh. 65,000
Oct 16: Repaid Mary by cheque Sh.100, 000
Oct 19: Took Sh.50, 000 out of the cash till and paid it into the bank accounts.
Oct 22: Paid motor expenses by cheque Sh. 12,000
Oct 26: Withdrew Sh. 100,000 cash from the bank for business use.
Oct 31: Paid wages in cash Sh. 97,000.