



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

**UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR
SECOND YEAR SPECIAL/SUPPLEMENTARY EXAMINATION
FOR DIPLOMA
IN
BUSINESS MANAGEMENT**

COURSE CODE: DAB 229

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: TEUSDAY, 26TH AUGUST 2022

TIME: 2-4PM

INSTRUCTIONS TO CANDIDATES

Answer QUESTION ONE and any OTHER TWO questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

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

QUESTION ONE

- a) Highlight five general purposes of accounting (5 marks)
- b) Accounting is process. Highlight four phases of accounting (8 marks)
- c) Accounting concepts forms the fundamental accounting assumptions underlying the preparation of financial statements. State and explain four accounting concepts (8 marks)
- d) Highlight five Books of Original Entry (5 marks)
- e) Explain three importance of Special Journals (3 marks)
- f) Highlight the advantages of integrated systems. (3 marks)

QUESTION TWO

- a) The accounting process is perceived as a cycle. Explain (10 marks)
- b) KenChick Ltd provided the following financial transactions for the month of January 2021.

May 2	Credit sales to E. Kamau	Shs 12,800
May 2	Credit purchases to H Opati	Shs 9,600
May 4	Credit sales to J Omondi	Shs 11,700
May 7	Credit sales to N.Kimanzi	Shs 20,700
May 8	Credit sales to P.Amino	Shs. 4,900
May 12	credit Credit purchases from M. Kibaki	Shs 7,200
May 13	Credit sales to E. Kamau	Shs 42,000
May 13	Credit Credit purchases from G.Njenga	Shs. 9,700
May 15	return Return inwards from J Hadija	Shs. 200
May 16	return Return outwards to K Nyongesa	Shs.1, 200
May 20	credit Credit purchases from H. Opati	Shs. 11,200
May 21	credit Credit purchases from E. Joe	Shs 4,900
May 23	credit Credit purchases from O. Mbiyu	Shs. 4,500
May 27	bought Bought motor vehicle cash	Shs 20,000
May 30	Sales to E Williams	Shs. 10,600

Required

Prepare sales journal, purchases journal, general journal, and then post them to the relevant ledger accounts (10 marks)

QUESTION THREE

- a) Highlight and explain the discrepancies arising from cashbook and bank statement reconciliation. (10 marks)

- b) Downy Enterprises started a business on 1st December 2020. During the first month of trading, the following transactions took place;

Wrote a personal cheque and deposited into the business bank account Sh800,000

Withdrew Sh200, 000 from the bank and put it into the cash till.

2nd Dec, Purchased goods by cheque	Sh. 70,000
3rd Dec, Bought furniture for cash	Sh. 25,000
3rd Dec, Bought equipment on credit	Sh. 75,000
4th Dec, Sold goods for cash	Sh. 100,000
5th Dec, Bought goods and paid by cheques	Sh. 200,000
6th Dec, Bought a motor van paying by cheque	Sh. 210,000
10th Dec, Obtain loan from the bank	Sh. 500,000
12th Dec, Sold goods on credit	Sh. 75,000
16th Dec, Sold goods payment made by cheque	Sh. 100,000
16th Dec, Received a cheque from a debtor	Sh. 60,000
30th Dec, Took Sh10,000 from the cash till personal use.	

Required

Prepare two column cash book for Downy Enterprises for the month of December 2020.

(10 Marks)

QUESTION FOUR

- a) State and briefly explain two purposes of a bank reconciliation statement. (10 Marks)
b) BlueShield Enterprise Ltd keep a petty cash book for management expenses. The following transactions were provided for the month of January 2020

January 1 received petty cash Sh 20,000
January 1 paid for sugar Sh 700
January 2 bought pencils and pens Sh 800
January 4 bus fare Sh 400
January 5 telegram Sh 1,500
January 8 envelopes Sh 900
January 9 paid David (trade creditor) Sh 6,000
January 9 coffee Sh 200
January 15 cleaning Sh14,000

Required

Prepare Petty Cash for BlueShield Ltd

(10 marks)

QUESTION FIVE

- a) Explain the errors that do not affect the balancing of the trial balance (10 marks)

b) Super General stores Ltd has provided the following transactions for the month of November 2020.

Nov 1 Started business with Sh.17,5000 in cash

Nov 2 Put Sh140,000 of the cash into the bank account

Nov 3 Bought goods for cash worth Sh.7,500

Nov 4 Bought stationery on credit Sh.17,000 from Nzomo

Nov 5 Bought goods on credit from Isaac Sh 18,000, Philips Sh.24,500, Timothy Sh.5,500 and Mathew Sh17,000

Nov 6 Paid rent by cheque Sh.2,750

Nov 7 Sold goods on credit to Njeri Sh 4,500, Onyango Sh7,500 Muiru Sh 9,500 and Tinga Sh 8,000

Nov 8 Bought furniture from Irungu Suppliers on credit Sh 24000

Nov 12 Paid in cash salaries and wages Sh 6,000.

Nov 14 Returned goods to Timothy Sh 3000and Philip Sh 2,000

Nov 15 Bought an old motor van by cheque Sh 35,000

Nov 16 Received loan from Henry by cheque Sh 30000

Nov 17 Goods returned by Njeri worth Sh1,000 and Muiru Sh 2,000

Nov 18 Cash sales Sh 450

Nov 21 Sold goods on credit to Pauline Sh5,750, Onyango Sh 50,100 and Tinga Sh 4,500

Nov 24 Paid the following by cheque Philips Sh 2250 Timothy Sh2500

Nov 25 Received a cheque from Pauline Sh 5750, onyango Sh 12500

Nov 28 Received a further loan from Henry Sh 10, 000 cash

Nov 30 Received in cash Sh 25,000 from Tinga.

Required

Balance off all the accounts and extract a trial balance as at 30th November 2020

(10 marks)