



(University Of Choice)

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY

(MMUST)

Main Campus

UNIVERSITY EXAMINATIONS

2021 /2022 ACADEMIC YEAR

SCHOOL OF COMPUTING AND INFORMATICS

**SUPPLEMENTARY/SPECIAL EXAMINATION FOR THE DIPLOMA IN
INFORMATION TECHNOLOGY**

COURSE CODE: DIT 070

COURSE TITLE: PRINCIPLES OF ACCOUNTING

DATE: 01/08/2022

TIME: 2:00P.M-4:00P.M

INSTRUCTIONS TO CANDIDATES

Section (A) is compulsory

Answer TWO questions in section B

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

INSTRUCTIONS:

SECTION A: COMPULSORY - 24 MARKS

QUESTION ONE:

- (a) Explain the meaning and the purpose of accounting (6 Marks)
- (b) Identify **FIVE** users of financial statements and their information needs (4 Marks)
- (c) Distinguish between Managerial and financial accounting (4 Marks)
- (d) Identify and describe business goals and their major activities in an organization (4 Marks)
- (e) Differentiate Accrued expenses and Prepaid expenses (2 Marks)
- (f) Illustrate and define the accounting equation? What is the main purpose of this equation? (4 Marks)

SECTION B: 36 MARKS (Instructions answer any TWO questions)

QUESTION TWO: (18 Marks)

- (a) Define a Trial Balance. What are the main purposes of a trial balance? (5 Marks)
- (b) State and explain the Errors affecting and those not affecting the Trial balance (5 Marks)
- (c) Mr. Kiboi sets up a new business. Before he actually sells anything he has bought Motor vehicles of Sh.3, 000, Premises of Sh.7, 000, Stock of goods Sh.2, 000. He still owes Sh.800 in respect of them. He had borrowed Sh.4, 000 from D. Evans. After the events just described and before trading starts, he had Sh.300 cash in hand and Sh.600 cash at bank.

Required:

- (i) Calculate the amount of his capital. (8 Marks)

QUESTION THREE: (18 MARKS)

- (a) Explain what is meant by "Double entry" (4 Marks)
- (b) Differentiate Discount received and Discount Allowed (4 Marks)
- (c) The following balances were extracted from the Books on M. Ndiema. He had the following assets and liabilities as on 31st April 2012:

	Sh.
Creditors	15,800
Equipment	46,000
Motor Vehicle	25,160
Stock	24,600
Debtors	23,080
Cash at bank	29,120
Cash in hand	160

During the first week of May 2012 Ndiema:

- a. Bought extra equipment on credit for Sh.5,520.
- b. Bought extra stock by cheque Sh.2,280.
- c. Paid creditors by cheque Sh.3,160.
- d. Debtors paid Sh.3,360 by cheque and Sh.240 by cash.
- e. Moody put in extra Sh.1,000 cash as capital.

Required:

- a. Determine the capital as at 1st May 2012. **(5 Marks)**
- b. Draw up a M. Ndiema balance sheet after the above transactions have been completed. **(5 Marks)**

QUESTION FOUR: (18 MARKS)

- (a) What are the Final accounts? What are the components of the Final accounts? **(4 Marks)**
- (b) Define Trading account. How is it prepared? **(3 Marks)**

1. The below balances were extracted from the accounts of Ms. M. Chemom as at 31st December, 2013 are shown in the following Trial balance:

Trial Balance 31st December, 2013

	DR	CR
Capital		30,000
Motor Vehicle	21,000	
Cash in Hand	2,500	
Cash at Bank	2,400	
Stock at Start	5,000	
Purchases	35,000	
Sales		38,000
Salaries & Wages	3,500	
Electricity	500	
Postage & Telephone	600	
Rent	1,000	
Sundry Debtors	7,000	
Sundry Creditors		10,500
	78,500	78,500

Stock at 31st December 2013 was valued at Shs. 6,000

Required: Prepare:

- (i) Trading Account **(3 Marks)**
- (ii) Profit and Loss Account **(3 Marks)**

QUESTION FIVE: (18 MARKS)

Accounting practice depends upon the guidance provided by a number of accounting concepts, some of which are to be found in IAS 1 and/or in the conceptual framework of the International Accounting Standards Committee.

Required:

(a) Define and explain the relevance of the following accounting concepts.

- Neutrality
- Money measurement
- Accruals
- Substance over form
- Consistency

(8 Marks)

(b) Write up the following transactions in the books of S Pink: 2003

March	1	Started business with cash Sh.1,000.
“	2	Bought goods on credit from A Cliks 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:

Construct a trial balance, from the above list of balances.

(10 Marks)