



(University of Choice)

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

MAIN/BUNGOMA/WEBUYE CAMPUS

**MAIN UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR**

FIRST YEAR SEMESTER ONE EXAMINATIONS

**FOR THE DEGREE
OF
BACHELOR OF COMMERCE/AGRICULTURAL
ECONOMICS/ECONOMICS/BSC ACCOUNTING**

COURSE CODE: BCA 100

**COURSE TITLE: INTRODUCTION TO FINANCIAL
ACCOUNTING**

DATE: Monday 5th December 2022

TIME: 2.00-5.00pm

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 5 Printed Pages. Please Turn Over.

QUESTION ONE (30 MARKS)

- a) The following categories of people are recognized as users of the information contained in financial statements
- i. Owners
 - ii. Employees
 - iii. Lender
 - iv. Government

For each of the above users of financial statements, identify the kind of information they may require and why they require it (8mks)

b) Outline two major limitations of accounting (2 Marks)

c) Kimokoti had the following transactions for the week ended 6th January 2022:

Purchases on credit:

- 1.1. 2022:: Inv.no.200 from Kaptinga Mills sh.3, 000,000
2.1. 2022:: Inv. No.361 from Rivatex sh.4, 000,000
3.1. 2022:: Inv. No. 261 from XYZ sh.3, 000,000
4.1. 2022:: Inv.no. 231 From Kaptinga Mills sh.2, 000,000
5.1. 2022:: Inv. No.281 from XYZ shs.2, 000,000

Credit sales:

- 2.1. 2022:: Inv. No 230 to Langas wholesalers' shs. 4,000,000
3.1. 2022:: Inv .No.231 to XX stores sh.6, 000,000
5.1. 2022:Inv. No. 232 to YY supermarket shs.5, 000,000
6.1. 2022: Inv, no.234 to XX stores shs.5, 000,000

Cash transactions:

On 1st January 2022: Ambuga had a cash balance of shs.5, 000,000.

During the 1st week of January, the following transactions took place:

- 1.1. 2022:: Paid salaries and wages shs.1, 000,000
2.1. 2022: Made cash sales sh.3, 000,000
3.1. 2022:: Paid Kaptinga Mills sh. 1,000,000
3.1. 2022:: Paid Rivertex sh. 1,000,000
4.1. 2022:: Received from Langas whole sales sh.3000,000
4.1. 2022: Paid rent sh. 1,000,000
5.1. 2022:: Paid electricity sh.2, 000,000
5.1. 2022:: Received from XX stores sh.4, 000,000
6.1. 2022:Cash sales sh.2, 000,000

Required:

- | | |
|----------------------|----------|
| i) Purchase day book | (2marks) |
| ii) Sales day book | (2marks) |
| iii) Purchase ledger | (6marks) |
| iv) Sales ledger | (6marks) |
| v) General ledger | (4marks) |

QUESTION TWO: (20 MARKS)

A. Briefly explain any four errors that are not disclosed by the trial balance. (4 Marks)

B. A bookkeeper extracted a trial balance on 31 December 2021 that failed to agree by Sh.3, 300 a shortage on the credit side of the trial balance. A suspense account was opened for the difference. In January 2022 the following errors made in 2022 were found:

- a) Sales daybook had been under cast by Sh.1, 000.
- b) Sales of Sh.2, 500 to J Church had been debited in error to J Chane account.
- c) Rent account had been undercast by Sh.700
- d) Discounts received account had been under cast by Sh.3, 000.
- e) The sale of a motor vehicle at book value had been credited in error to Sales account Sh.3, 600. Required:

i) Show the journal entries necessary to correct the errors.

(10Marks)

ii) Draw up the suspense account.

(5Marks)

QUESTION THREE (20 MARKS)

- a) Explain the term “bank reconciliation” and state the reasons for its preparation. **(3Mark)**
- b) Makula, a sole trader received his bank statement for the month of June 2022. At that date the bank balance was Sh. 706,500 whereas his cash book balance was Sh.2, 366,500. His accountant investigated the matter and discovered the following discrepancies:
 - i. Bank charges of Sh.3, 000 had not been entered in the cashbook.
 - ii. Cheques drawn by Makula totaling Sh.22, 500 had not yet been presented to the bank.
 - iii. He had not entered receipts of Sh.26, 500 in his cashbook
 - iv. The bank had not credited Mr. Makula with receipts of Sh.98, 500 paid into the bank on 30 June 2022.
 - v. Standing order payments amounting to Sh.62, 000 had not been entered into the cashbook.
 - vi. In the cashbook Makula had entered a payment of Sh.74, 900 as Sh.79, 400.
 - vii. A cheque for Sh.15, 000 from a debtor had been returned by the bank marked “refer to drawer” but had not been written back into the cashbook.
 - viii. Makula had brought forward the opening cash balance of Sh.329, 250 as a debit balance instead of a credit balance.
 - ix. An old cheque payment amounting to Sh.44, 000 had been written back in the cashbook but the bank had already honored it.
 - x. Some of Makula’s customers had agreed to settle their debts by paying directly into his bank account. Unfortunately, the bank had credited some deposits amounting to Sh.832, 500 to another customer’s account.

Required:

- 1. A statement showing Makula’s adjusted cashbook balance as at 30 June 2022.**(13Marks)**
- 2. A bank reconciliation statement as at 30 June 2022. **(4Marks)**

QUESTION FOUR

- a) Define the following accounting principles.
 - I. Prudence (1 Marks)
 - II. Going concern (1 Marks)
 - III. Accrual concept (1 Marks)
 - IV. Substance over form (1Marks)

b) The following information has been provided to you by Khetias Enterprises for the month of January 2020

January 1, Cash in hand shs 5,374; Balance at bank shs.15, 490

January 3, Cash sales shs 6,400

January 5, paid shs.7, 000 into bank

January 6, received a cheque for shs.700 from Salano

January 8, Paid into bank Salano cheque for shs 700

January 10, Paid to Amagulu by cheque shs 980 and allowed discount by him shs 20

January 12, Cash purchases shs 2500

January 14, Withdrew from bank for office use shs 5,000

January 15, Received a cheque for shs 950 from Alembi and Co, allowed him a discount shs 50

January 19, Paid into bank Alembi and Co, cheque for shs.950 and cash shs.4, 000

January 21, Cash paid for stationery shs 120

January 23, Paid commission to Ratego by cheque shs 500

January 25, Received cheque for shs 1,000 from Chando and paid the same into bank

January 27, Alembi and Co cheque was dishonored

January 29, Drew cheque for shs 800 for personal use

January 31, Paid salaries by cheque shs. 1,500 and Cash, shs.500.

January 31 Bank charges shs.20 and insurance premium shs 520,as shown in the pass book

Required;

Three column cash book (16 marks)

QUESTION FOUR: (20 MARKS)

A. Explain the following terms as used in accounting:

a) Real accounts (2 Marks)

b) Nominal accounts (2 Marks)

B. The following trial balance relate to Mr. Kijicho's business for the year ended 31st December, 2020:

Mr. Kijicho's Trial Balance

As at 31st December, 2020

	DR	CR
Capital		1,200,000
Drawings	500,000	
Leasehold premises	700,000	
Creditors		1,500,000
Rent (9 months to 30 th September	45,000	
Salaries	240,000	
General expenses	65,000	
Insurance	56,000	
Stock 1 st January	1,725,000	
Fixtures & Fittings	120,000	
Debtors	1,808,000	
Bad debts W/off	12,000	
Provision for bad debts 1 st January		75,000
Delivery vans	80,000	
Sales		6,090,000
Purchases	3,160,000	

Cash in hand	5,000	
Balance at bank	<u>349,000</u>	
	<u>8,865,000</u>	<u>8,865,000</u>

The following additional information has been provided: -

- i. Depreciation on leasehold premises, Shs. 50,000, Fixtures and Fittings Shs. 12,000 and delivery vans Shs. 24,000.
- ii. Rent accrued 15,000.
- iii. Insurance paid in advance Shs. 12,000
- iv. Increase the bad debts provision to 5% of the sundry debtors.
- v. The stock at 31st December was valued at Shs. 1,600,000.

Required:

- a) Prepare an income statement for Mr. Kijicho for the period ended 31st December, 2020. (8 Marks)
- b) Prepare a statement of financial position as at 31st December, 2020. (6 Marks)