



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

MAIN CAMPUS

**UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER
MAIN EXAMINATIONS**

**FOR CERTIFICATE
IN
BUSINESS MANAGEMENT**

COURSE CODE: CBA 101

COURSE TITLE: FUNDAMENTALS OF ACCOUNTING

DATE: MONDAY, 5TH DECEMBER, 2022

TIME: 2-4 PM

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer ANY OTHER TWO questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over. ►

QUESTION ONE (COMPULSORY 30 MARKS)

- a) What is journalisation (2 Marks)
b) Highlight six advantages of preparing a journal (6 marks)
c) State six qualities of useful accounting information (6 marks)
d) During the month of Many 2021, Alpha Trading Company made the following transactions:

May 01: He had a cash balance of Ksh. 20000 and a bank overdraft of Ksh. 35000

May 02: Paid J & Company Ksh. 1200 in full settlement of his earlier debt of Ksh, 1300 by cash.

May 5: Received cash from Jacob a debtor ksh. 5000 after allowing a cash discount of 10%.

May 6: Made credit sales of Ksh. 2000 to Kenyatta family.

May 10: Made cash purchases of Ksh. 2500 from G & Company.

May 12: Sold goods worth Ksh. 6000 to Aketch and allowed for a 5% discount if payments were done by cheque.

May 15: Donated his personal car to the business worth Ksh. 80000.

May 18: Withdrew Ksh.3000 fom the cash till for personal use.

May 21: Received a cheque from the following debtors after allowing a 4% discount on each; Jack Ksh. 15000, Philip Ksh. 1000 and Diana Ksh 5000.

May 25: Withdrew Ksh. 25000 from the bank for the business use.

May 29: Banked all the available cash to the bank.

Required: Prepare a **Three-column** cashbook dully balanced on 30th May 2021. (10 marks)

- e) Explain three branches of accounting that are covered in this course, *CBA 101*. (6 marks)

QUESTION TWO (20 MARKS)

The objective of financial statements is to provide information about the financial position, financial performance and financial adaptability of an enterprise to aid in making informed decisions (International Accounting Standards Board, IASB 2001).

- i) State FIVE potential users of company published statements and briefly explain for each the likely information needs from those financial statements. (10 marks)
ii) Explain FIVE principles of accounting taught in the course. (10 marks)

QUESTION THREE (20 MARKS)

- a) Transactions from Lurambi Trading Company for the month of January 2016 are listed below:

- Jan. 02: Purchased merchandise on account from S & Co. for Ksh. 900, invoice No. 105

- Jan. 06: Purchased merchandise on account from A & Co. for Ksh. 3,200 , invoice No. 240
- Jan. 08: Purchased merchandise on account from Z Brothers for Ksh. 360, invoice No. 115
- Jan. 15: Purchased merchandise on account from S & Co for Ksh. 800, invoice No. 305
- Jan. 25: Purchased merchandise on account from S & Co for Ksh. 700, invoice No. 395
- Jan. 31: Purchased merchandise on account from Z Brothers for KSH. 300, invoice No. 345

Required:

1. Record the above transactions in the purchases journal and Post entries from the purchases journal to the accounts payable subsidiary ledgers (12marks)

b) Explain **FOUR** errors that might not be detected in a trial balance. (8 Marks)

QUESTION FOUR (20 Marks)

a) Explain **FOUR** limitations of accounting. (8 marks)

b) Highlight **FIVE** types of ledges. (5 marks)

c) The information given below relates to Z traders for the month of February 2020.

February 02: Started business with Ksh. 20,000 cash and Ksh. 25,000 at the bank.

04: Made cash purchases for stock worth 5000.

08: Sold goods to Jack a loyal customer worth 8000 and payments made by bank.

12: Sold goods worth 4000 to Esther a trader and received 2000 by cash and the balance through the bank.

14) Withdrew 500 for personal transport use.

15: Banked all the available cash.

Required: Prepare Z traders ledgers and balance them off as at 15th February 2020 (7marks)