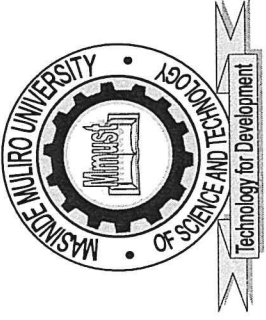


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*(University of Choice)*

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

MAIN/BUNGOMA/WEBUYE/KAPSABET/MUMIAS/NAIROBI CAMPUS

**UNIVERSITY EXAMINATIONS  
2021 /2022 ACADEMIC YEAR  
FIRST YEAR SECOND SEMESTER EXAMINATIONS**

**FOR THE DEGREE  
OF**

**BACHELOR OF COMMERCE/EDUCATION**

**COURSE CODE: BCA 100**

**COURSE TITLE: INTRODUCTION TO FINANCIAL  
ACCOUNTING**

**DATE: Wednesday 20<sup>TH</sup> APRIL 2022**

**TIME: 12-2PM**

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**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 (30 MARKS)**

I(a) Identify the parties interested in financial information contained in financial statements. For each party state one reason for interest (5mks)  
(b). Define the following accounting concepts and conventions for each explain their implication in the preparation of financial statements. (6 mks)

- i) Cost concept
- ii) Consistency
- iii) Realization
- iv) Conservatism

(c) John has the following assets and liabilities as on 30 November 2002:  
Creditors shs39,500; Equipment shs115,000; Motor vehicle shs 62,900; Stock shs 61,500;  
Debtors shs 57,700; Cash at bank shs 72,800 and Cash in hand shs 400.

Compute the balance on the capital account as at 30 November 2002.

During the first week of December 2002, John:

- a. Bought extra equipment on credit for shs 13,800.
- b. Bought extra stock by cheque shs 5,700.
- c. Paid creditors by cheque shs 7,900.
- d. Received from debtors shs 8,400 by cheque and shs 600 by cash.
- e. Put in extra shs 2,500 cash as capital.

You are to draw up a balance sheet as on 7 December 2002 after the above transactions have been completed. (5mks)

d) Discuss the following and state how they affect the adjustments of the final books of accounts

Bad debts and provision of bad debts

Depreciation and provision for depreciation

Prepayments and accruals (5mks)

- e) Explain the term “bank reconciliation” and state the reasons for its preparation. (3mks)
- f) Name and explain three types of errors which are not disclosed by the trial balance. (2mks)
- g) Outline the various methods of calculating depreciation (4mks)

**QUESTION TWO**

2a) Explain five qualitative characteristics of a good financial statement (5mks)

b)Mr Chai has been trading for some years as a wine merchant. The following list of balances has been extracted from his ledger as at 30 April 19X7, the end of his most recent financial year.

Capital shs  
83,887

Sales	259,870
Trade creditors	19,840
Returns out	13,407
Provision for bad debts	512
Discounts allowed	2,306
Discounts received	1,750
Purchases	135,680
Returns inwards	5,624
Carriage outwards	4,562
Drawings	18,440
Carriage inwards	11,830
Rent, rates and insurance	25,973
Heating and lighting	11,010
Postage, stationery and telephone	2,410
Advertising	5,980
Salaries and wages	38,521
Bad debts	2,008
Cash in hand	534
Cash at bank	4,440
Stock as at 1 May 19x6	15,654
Trade debtors	24,500
Fixtures and fittings – at cost	120,740
Provision for depreciation on fixtures and fittings – as at 30 April 19X7	63,020
Depreciation	12,074

The following additional information as at 30 April 19X7 is available:

- Stock at the close of business was valued at shs 17,750.
- Insurances have been prepaid by shs 1,120.
- Heating and lighting is accrued by shs 1,360.
- Rates have been prepaid by shs 5,435.
- The provision for bad debts is to be adjusted so that it is 3% of trade debtors.

#### REQUIRED

Income statement and Statement of Financial position as at that date (15mks)

#### QUESTION THREE

- Two accounting concepts or conventions could clash or there could be inconsistency between them. Give two examples of such situation and explain how the inconsistency should be resolved. (3mks)
- Discuss the various components of an accounting cycle (3mks)
- Tawfiq, a sole trader received his bank statement for the month of June 2001. 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:
  - Bank charges of Sh.3, 000 had not been entered in the cashbook.

2. Cheques drawn by Tawfiq totaling Sh.22, 500 had not yet been presented to the bank.
3. He had not entered receipts of Sh.26, 500 in his cashbook.
4. The bank had not credited Tawfiq with receipts of Sh.98, 500 paid into the bank on 30 June 2001.
5. Standing order payments amounting to Sh.62, 000 had not been entered into the cashbook.
6. In the cashbook Tawfiq had entered a payment of Sh.74, 900 as Sh.79, 400.
7. 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.
8. Tawfiq had brought forward the opening cash balance of Sh.329, 250 as a debit balance instead of a credit balance.
9. An old cheque payment amounting to Sh.44, 000 had been written back in the cashbook but the bank had already honored it.
10. Some of Tawfiq 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. However acting on information from his customers Tawfiq had actually entered the expected receipts from the debtors in is cashbook.

**Required:**

- i. A statement showing Tawfiq’s adjusted cashbook balance as at 30 June 2001. (9 marks)
- ii. A bank reconciliation statement as at 30 June 2001. (5marks)

**QUESTION FOUR**

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

	Shs
1 <sup>st</sup> March – bought stamps for	80
2 <sup>nd</sup> March – paid bus fare for	120
2 <sup>nd</sup> March – cleaning materials	240
3 <sup>rd</sup> March – bought fuel	150
3 <sup>rd</sup> March – cleaning wages	300
4 <sup>th</sup> March – bought stamps	200
4 <sup>th</sup> March – paid L. Thompson (creditor)	400
5 <sup>th</sup> March – fuel costs	150

On the 5<sup>th</sup> 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 (8mks)
- b) Explain what we mean by source documents and the books of original entry. Give example in each case. (4mks)

- c) Explain the main difference between a three column cashbook and a petty cashbook (4mks)  
 d) What is a trail balance? State its objectives and limitations (4mks)

**QUESTION FIVE**

- a) Tom Onyango who operates a retail shop commenced business on 1<sup>st</sup> April 2005.the following is a summary for transactions for the month of April 2005

- 1<sup>st</sup> April commenced business by depositing shs 96,000 in the bank  
 2<sup>nd</sup> April paid rent deposit of shs 1,000 by cheque  
 4<sup>th</sup> April Bought fitting on credit and paid for them by cheque of shs 18,000  
 5<sup>th</sup> April bought fitting on credit from N. Odipo for shs 2100  
 6<sup>th</sup> April Bought goods on credit from O. Maitya shs 21,300, M Gachomba shs 17,100, T kibogy shs 38,800  
 7<sup>th</sup> April made cash sales of shs 960  
 8<sup>th</sup> April Sold goods on credit to A Onchere shs 7,200, R Kimani 11,000, L Nduti shs 17,500  
 9<sup>th</sup> April Paid shs 500 in cash for Miscellaneous expenses  
 11<sup>th</sup> April withdrew from the bank shs 600 for personal use  
 12<sup>th</sup> April made cash sales of shs 2,000  
 13<sup>th</sup> April sold goods on credit to R Kimani, shs 25,600, O Nderitu shs 7,450, N Kabahi shs 8,300  
 14<sup>th</sup> April A. Onchere returned goods worth shs 550  
 15<sup>th</sup> April Tom Onyango returned goods worth shs 1,300 to M Gachomba  
 16<sup>th</sup> April Tom Onyango paid shs 17,000 into the business account from his private account  
 18<sup>th</sup> Bought fittings and paid s hs 680 in cash  
 20<sup>th</sup> April Received cheques from A. O nchere shs 6650, L nduati shs 17,500  
 Paid the following suppliers by cheque O Maitya shs 21,300, M Gachomba shs 15800  
 23<sup>rd</sup> April paid rent amounting to kshs 2,300 by cheque  
 25<sup>th</sup> April withdrew shs 900 from the cahs box for personal use  
 27<sup>th</sup> April received a cheque of shs 36,600 from R kimani  
 28<sup>th</sup> Paid T Kibogy Shs 38,800 by cheque  
 29<sup>th</sup> Paid wages amounting to 1,100 by cash  
 30<sup>th</sup> Withdrew cash from the bank amounting to shs 2330 for business use  
 30<sup>th</sup> April Bought goods on credit worth shs 22,760 from O. Maithya

**Required**

Open the ledger accounts (including cash book) to record the above transactions and Extract Tom Onyangos Trail balance as at 30<sup>th</sup> April 2005(20 mks)