



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

MAIN CAMPUS

**UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR**

**SECOND YEAR TRISEMESTER
MAIN EXAMINATIONS**

**FOR CERTIFICATE
IN
BUSINESS MANAGEMENT**

COURSE CODE: CBA 101

COURSE TITLE: FUNDAMENTALS OF ACCOUNTING

DATE: MONDAY, 25TH JULY 2022 TIME: 8-10 AM

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 4 Printed Pages. Please Turn Over. ►

QUESTION ONE (COMPULSORY 30 MARKS)

a) Explain the following words as used in fundamentals of accounting course.

(i) Accounting (2mks)

(ii) A journal (2mks)

(iii) A ledger (2mks)

b) Explain four functions of accounting to various stakeholders. (4mks)

c) During the month of May 2021, Mumias Trading Company made the following:

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 & Complany.

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)

d) Explain three types of accounting that is covered in this course, Fundamentals of Accounting. (6 marks)

e) The following information relates to Jesca's traders for the month of June 2021

June 1: Sold goods to wafula on credit of ksh 200, invoice no 0114

2: Sold to the following debtors on credit; Wanjiru ksh 400, Musyoka ksh 300, Wafula ksh 300

5: sold goods on credit to Wanjiru of ksh 300

10: Sold goods to the following on credit Kanini ksh 100, Wafula ksh 500, Wanjiru ksh 600. Invoice number 0118

12: Sold goods on credit to musyoka of ksh 350

Required: Prepare Jesca's Sales journal. (4mrks)

QUESTION TWO (20 MARKS)

- a) Accounting information's and statements are not only important to those who prepare them. However, they are also relevant to other stakeholders. Discuss the various users and the information needed. (10marks)
- b) 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 worth 8000 by bank
- 12: Sold goods worth 4000 to Esther a trader and received 2000 by cash and the balance through the bank.
- 15: Banked all the available cash.

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