



(University of Choice)

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

MAIN CAMPUS

**UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR**

SECOND YEAR SEMESTER ONE EXAMINATIONS

**FOR THE DIPLOMA
IN
BUSINESS MANAGEMENT (ACCOUNTING)**

COURSE CODE: DAB 229

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: WEDNESDAY, 7TH DECEMBER 2022 **TIME: 2-4PM**

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer TWO other questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 6 Printed Pages. Please Turn Over. ►

QUESTION ONE

- a) Distinguish between each of the following pairs of terms:
- Receipts and revenue. (2 marks)
 - Balance sheet and statement of affairs. (2 marks)
 - Cash basis of accounting and accrual basis of accounting. (2 marks)
 - Partnership and Company. (2 marks)

- b) Grace is a sole trader who does not keep double entry accounting records. The following details relate to her transactions with credit customers and suppliers for the year ended 30 November 2021

1 December 2020	sh.	
Trade receivables		130,000
Trade payables		60,000
During the year		
Cash received from customers		686,400
Cash paid to suppliers		302,800
Discounts allowed		1,400
Discounts received		2,960
Bad debts		4,160
An amount due from a customer who is also a supplier offset an amount due for goods supplied by him		2,000
Trade receivables, 30 Nov 2021		181,000
Trade payables, 30 Nov 2021		84,000

From the above information calculate the purchases figure and the sales figure that would appear in Grace's statement of profit or loss. **(8 marks)**

- c) The following summaries of the cash book and bank accounts of omwami who does not keep proper books of accounts

Bank summaries

Balance on 1/1/2018		6000
Receipts		
Debtors	35000	
Cash banked	2200	37200
		43200
Payments		
Trade creditors	31000	
Rent	1100	
Machinery	3400	
Wages	9200	
insurance	850	
Loan interest	500	
Dishonored cheques (debtors)	80	46130
Balance on 31/12/2018		(2930)

Cash summary

Balance 1/1/2018		60
Receipts		
Cash sales	9700	
Debtors	<u>1100</u>	<u>10800</u>
		10860
Payments		
Drawings	6600	
Repairs	1400	
Electricity	570	
Cash banked	<u>2200</u>	<u>(10,770)</u>
Balance on 31/12/2018		90

The following referred to 2018

Bad debts written off	240
Discount received	600
Goods with drawn by Omwami for own use	1200
Credit note issued	640

The following additional information is available

	1/1/2018	31/12/2018
Stocks	2300	5400
Machinery	9800	10400
Rent prepaid		100
Rent owing	150	
Debtors	8100	9200
Creditors	5700	4800
10% loan from bank	7000	7000
Loan interest owing		200

Required

- Determine Omwami's capital on 1/1/2018
- Prepare the trading profit and loss account on 1/12/2018
- Prepare Omwami's balance sheet as at 31/12/2018

(14 marks)

QUESTION TWO

The following list of balances as at 30 September 2021 has been extracted from the books of Petro and Hana , trading partnership, sharing the balance of profits and losses in the proportions 3:2 respectively.

	Ksh. '000'
Printing, stationery and postage	3,500
Sales	322,100
Stock in hand at 1 October 2020	23,000
Purchases	208,200
Rent and rates	10,300
Staff salaries	36,100
Telephone charges	2,900
Motor vehicle running costs	5,620
Discounts allowable	950

Discount receivable	370	
Sales returns	2,100	
Purchases returns	6,100	
Carriage inwards	1,700	
Carriage outwards	2,400	
Fixtures and fittings: at cost	26,000	
Provision for depreciation	11,200	
Motor vehicles: at cost	46,000	
Provision for depreciation	25,000	
Provision for doubtful debts	300	
Drawings: Brick	24,000	
Stone	11,000	
Current account balances		
At 1 October 2020:		
Petro	3,600	credit
Hana	2,400	credit
Capital account balances		
At 1 October 2020:		
Petro	33,000	
Hana	17,000	
Debtors	9,300	
Creditors	8,400	
Balance at bank	7,700	

Additional information

- Sh. 10,000,000 is to be transferred from Petro's capital account to a newly opened Petro Loan Account on 1 July 2021
- Interest at 10 per cent per annum on the loan is to be credited to Petro.
- Hana is to be credited with a salary at the rate of Sh.12, 000,000 per annum from 1 April 2021.
- Stock in hand at 30 September 2021 has been valued at cost at Sh.32, 000,000.
- Telephone charges accrued due at 30 September 2021 amounted to sh.400, 000 and rent of sh.600, 000 prepaid at that date.
- During the year ended 30 September 2021 Hana has taken goods costing sh.1, 000,000 for her own use.
- Depreciation is to be provided at the following annual rates on the straight line basis:

Fixtures and fittings	10%
Motor vehicles	20%

Required:

- Prepare an income statement and appropriation account for the year ended 30 September 2021 **(10 Marks)**
- Prepare a statement of financial position as at 30 September 2021 which should include summaries of the partners' capital and current accounts. **(10 Marks)**

QUESTION THREE

The following is the receipts and payments account of the "Seven-Up club" for the year ended 30th September 2019.

RECEIPTS	Sh'000'	PAYMENTS	'000'
Opening balance:		Honoraria, salaries and wages	4,800
Cash in hand	150	Rates and taxes	1,260

Cash at bank	8,230	Printing and stationary	470
Subscriptions	10,710	Transport & miscellaneous expenses	1,530
		Ground man's wages	480
Receipts from entertainment		Expenditure on entertainment	2,390
Net proceeds of entertainment	2,400	Bar purchases	5,770
Entertainment	4,270	Repairs	320
Bank interest	230	New bus(Less sale proceeds of old	
Bar takings	7,450	bus,Sh.3 million)	12,600
		Closing balance at bank	<u>3,460</u>
	<u>33,440</u>		<u>33,440</u>

The following additional informational is provided:

- | 1. Balances on | 1/10/18 | 30/9/19 |
|-------------------------|---------|---------|
| | '000' | '000' |
| Subscriptions due | 1,200 | 980 |
| Owing on printing | 90 | 30 |
| Bar stock | 710 | 870 |
| Owing for bar purchases | 590 | 430 |
2. Club premises and the old bus were acquired three years ago at a cost of sh.29 million and 12.190 million respectively. The provision for depreciation accounts on 30/9/09 showed balances of 18.8 million for premises and sh.10, 290,000 for the bus.
3. Depreciation is to be provided at 5% p.a on the written down value of the club premises and at 15%p.a on the bus for the whole year.

Required:

- (a)Accumulated fund for the year (5 marks)
- (b)Income and expenditure account of the club for the year ended 30th September 2019(10 Marks)
- (c)Statement of financial position as at 30th September 2019 (10 Marks)

QUESTION FOUR

You are provided with the following list of balances relating to MayFair super stores for the year ended 31/12/2019

	Sh. 000	sh. 000
Rent and rates		4200
Delivery expenses		2400
Commission		3840
Insurance		900
Purchases Dept A	52800	
Dept B	43600	
Dept C	34800	131200
Discounts received		1968

Salaries and wages			31500
Advertising			1944
Sales	Dept A	80000	
	Dept B	64000	
	Dept C	48000	192000
Depreciation			2940
Closing stock	Dept A	12400	
	Dept B	8654	
	Dept C	9746	30800
Opening stock	Dept A	14600	
	Dept B	11240	
	Dept C	9120	34960

Additional information.

Except as provided below, expenses are to be apportioned equally between the three departments:

- ✓ Delivery expenses proportionate to sales
- ✓ Commission 2% of sales
- ✓ Salaries & wages, Insurance in the ratio 6:5:4
- ✓ Discounts received 1.5% of purchases

Required

Prepare MayFair's departmental trading profit and loss account for the year ended 31/12/2019

(20 marks)