



MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY

(MMUST)

MAIN/BUNGOMA/WEBUYE/ CAMPUS

UNIVERSITY EXAMINATIONS

2023/2024 ACADEMIC YEAR

FIRST year SECOND semester examinations

FOR THE DEGREE

OF

BACHELOR OF EDUCATION

COURSE CODE: BCA 112/BCA 100

COURSE TITLE: INTRODUCTION TO FINANCIAL ACCOUNTING

DATE: Thursday 18TH April 2024

TIME: 3.00-5.00 pm

INSTRUCTIONS TO CANDIDATES

Answer **QUESTION ONE** and **ANY OTHER TWO** questions from section B.

TIME: 2 HOURS

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over.

SECTION A QUESTION ONE (COMPULSORY)

- a) The following trial balance has been extracted from the ledger of Mr. Opuka, a sole
Trial balance as at 31 My 2022

	Dr. Sh. '000'	Cr. Sh. '000'
Sales		138,078
Purchases	82,350	
Carriage	5,144	
Drawing	7,800	
Rent, rates and insurance	6,622	
Postage and stationery	3,001	
Advertising	1,330	
Salaries and Wages	26,420	
Bad debts	877	
Provision for doubtful debt		130
Debtors	12,120	
Creditors		6,471
Cash in hand	177	
Cash at bank	1,002	
Stock at 1 June 2009	11,927	
Equipment at cost	58,000	
Equipment accumulated depreciation		19,000
Capital		53,091
	<u>216,770</u>	<u>216,770</u>

The following information as at 31 May 2022 is available.

- i) Rent is accrued by Sh. 210
- ii) Rates have been prepaid by Sh. 880
- iii) Sh. 2,211 of carriage represent carriage inwards on purchases.
- iv) Equipment is to be depreciated at 15% per annum using straight line method.
- v) The provision for doubtful debts to be increased by Sh. 40
- vi) Stock at the close of business has been valued at Sh. 13,551.

Required:

- i) Trading, profit and loss account for the year ended 31 May 2022.
- ii) Balance sheet as at that date. **(20Marks)**
- a) Using appropriate examples, explain precisely the following accounting concepts:
 - i) Historical cost concept
 - ii) Consistency concept.
 - iii) Materiality concept.
 - iv) The going concern concept.
 - v) Substance over form concept. **(10Marks)**

SECTION B QUESTION TWO

- a) State and explain using appropriate examples any six errors that cannot be disclosed by a Trial balance. **(12Marks)**

- a) Your book keeper extracted a trial balance on 31 December 2022 which failed to agree by Sh. 210, a shortage on the credit side of the trial balance. A suspense account was opened for difference. In January 2023 the following errors made in 2022 were found:
- Sales day book had been undercast by Sh. 200
 - Sales of Sh.610 to T.V antuira had been debited in error to T.Ventura's account
 - Rent account had been undercast by Sh.90
 - Discount allowed account had been overcast by Sh.100
 - The sale of a computer at net book value had been credited in error to the sales account Sh.230.

Required:

- Show the journal entries necessary to correct the errors (5Marks)
- Draw up the suspense account after the errors described have been corrected (3Marks)

QUESTION THREE

- (a) Differentiate between the following terms as used in accounting

- Outstanding expenses and prepaid expenses. (2Marks)
- Capital expenditure and revenue expenditure (2Marks)
- Return inwards and return outwards. (2Marks)

- (b) A cashier in a firm starts with Ksh2,000 in the month of March (that is the cash float). In the following week, the following payments are made:

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

On the 5th 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. (8 Marks)

- (c) Describe the following qualities of a good accounting information.

- Reliable.
- Relevant.
- Realistic. (6 Marks)

QUESTION FOUR

- (a) State and briefly explain any four business source documents. (4Marks)

- (b) Write up a two-Column cash book for a pine furniture shop from the following details, and balance it off as at the end of the month: 2012

May	1	Started I business with capital in cash sh. 1,000.
	2	Paid rent by Cash Sh. 230.
	3	G Broad lent us sh. 2,000, paid by cheque.
	4	We paid J Fine by Cheque Sh. 860

- 5 Cash sales Sh.190.
 7 F Love paid us by Cheque Sh.34
 9 We paid Amooore in Cash Sh.92
 11 Cash sales paid direct into the bank Sh.151.
 15 P Hood paid us in Cash Sh. 96.
 16 We took Sh. 100 out of the Cash till and paid in into the bank account.
 19 We repaid R Onions Sh. 500 by cheque.
 22 Cash sales paid direct into the bank Sh. 122.
 26 Paid motor expenses by cheque Sh.75
 30 Withdrew Sh.200 Cash from the bank for business use.
 31 Paid wages in Cash Sh. 320

(16 Marks)

QUESTION FIVE

The following are extracts from Cash book and the bank of statement of Mr. Wanyama traders as 31December 2022.

BANK ACCOUNT

2001		KSh	2022	KSh
Jan	Balance b/d	6,000	Jan 1 cheque to Owino	400
Jan 3	Cash	500	Jan 6 cheque to Peter	150
Jan 5	Cheque- Kiiru	85	Jan 6 cheque to Riungu	105
Jan 7	Cheque -Lobo	220	Jan 7 Cheque to Sembi	365
Jan9	Cheque - Maina	155	Jan 8 Cheque to Thimbi	1120
Jan 11	Cheque- Ndisi	360	Balance c/d	5180
		7,320		7,320
	b/d	5,180		

2001	BANK STATEMENT	DR	CR	BALANCE
Jan 1	Balance b/d			6,000
Jan 2	Cheque no 9976	400		5,600
Jan 3	Cash		500	6,100
Jan 4	Charges	20		6,080
Jan 5	Cheque deposit		85	6,165
Jan 6	Cheque no 9977	150		6,015
Jan 7	Cheque deposit		220	6,235
Jan 8	Cash deposit(by Obae)		600	6,835
Jan 9	Chque dishonoured	85		6,750
Jan 10	Standing order (insurance premium)	560		6,190
Jan11	Cheque no. 9978	105		6,085

Required:

Prepare an updated Cash book and a bank reconciliation statement

(20Marks)