



MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

P.O. Box 972-60200 Meru - Kenya. Tel: 020-2092048, 020 2069349
Fax: 020-8027449

University Examinations 2010/2011

FIRST YEAR, FIRST SEMESTER EXAMINATIONS FOR THE DEGREE OF BACHELOR OF COMMERCE AND
BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

HBC 2103: INTRODUCTION TO ACCOUNTING I

DATE: DECEMBER 2010

TIME: 2 HOURS

INSTRUCTIONS: *Answer All the Questions. Show your working clearly.*

QUESTION ONE – (25 MARKS)

The following is a trial balance of Mr Govinda a small trader in Chuka Town, for the year ending 31st March 2001.

	<u>Dr. Sh(000)</u>	<u>Dr. Sh(000)</u>
Free hold property	66,000	
Purchases	110,000	
Returns outwards		1,100
Govinda's capital		228,800
Plant and machinery	99,000	
Govinda's drawings	13,200	
Salaries and wages	48,700	
Office expenses	2,750	
Office furniture	5,200	
Discounts	1,320	1,650
Sundry debtors	29,260	
Gas and fuel	5,500	
Loan		44,000
Cash at bank	29,260	
Bill payable		5,500
Stock 1.4.2000	38,500	
Sundry creditors		38,500
Postage and telegrams	1,540	

Insurance	1,760	
Office rent	2,860	
Freight	9,900	
Loose tools	2,200	
Factory lighting	1,100	
Interest on loan	1,100	
Cash in hand	2,640	
Sales		231,440
Buildings	<u>79,200</u>	<u> </u>
	<u>550,990</u>	<u>550,990</u>

Adjustments 31st March 2001

1. Stock was valued at Sh72,600,000
2. A new machine was installed during the year costing Sh15,400,000, but it was not recorded in the books as no payment was made for it: wages Sh1,100,000 paid for its installment have been debited to wages account.
3. Depreciation:
Plant and Machinery 33.33% or $33\frac{1}{3}\%$
Furniture 10%
Free hold property 5%
4. Loose tools were valued at Sh1,760,000.
5. Office expenses owing were Ksh500,000.
6. Insurance included Ksh.200,000 for the following financial period.

Required

- (a) Income statement for the year ending 31st March 2001 (15 Marks)
- (b) Statement of the financial position as at that date. (10 Marks)

QUESTION TWO – (20 MARKS)

The cash book for the month of May 2006 bank column only for Mr. Mwenda is as follows:

<u>Receipts</u>		<u>Payments</u>	
	<u>Sh.000</u>		<u>Sh.000</u>
March 16 th Kigunda	295	March 1 st bal b.d	4,200
March 21 st Kamau	370	March 6 th T. Mach.	184
March 31 st Obare	195	March 30 th Mwiti	160
March 31 st bal c/d	4,198	March 30 th S.Porter	504
	5048		5048

The bank statement for Mr Mwenda for the same period appeared as follows:

Particulars	Dr Sh.000	Cr Sh.000	Bal Sh.000
March 1 st b/f			4,200(OD)
March 8 th T. Mach	184		4,384(OD)
March 16 th Cheque		295	4,089(OD)
March 20 th Mwiti	160		4,249(OD)
March 21 st Cheque		370	3,879(OD)
March 31 st credit transfer G Frank		90	3789(OD)
March 31 st standing orders	35		3824(OD)
March 31 st Bank Charges	20		3844(OD)

Required:

1. Updated Cash book (10 Marks)
2. A Bank reconciliation statement. (10 Marks)

QUESTION THREE – (15 MARKS)

- (a) On 1st January 2010, Morris Otieno started business with Kshs433,000. Transactions during the month were as follows:
- January opened a bank account and deposited Shs336,000.
 - January 8 bought furniture Shs120,000 by cheque
 - January 15 purchased goods Shs.39,000 and paid by cheque.
 - January 19 withdrew Shs7,000 from the bank for office use.
 - January 20 took Shs.3,000 cash for personal use.
 - January 21 deposited Shs.84,000 into the bank account
 - January 24 purchased goods from Kamau on credit Shs.42,000
 - January 26 Sold goods for Ksh72,000 and was paid by cheque
 - January 28 paid Kamau by cheque in full settlement of the amount due to him, after deducting a 5% discount.
 - January 29 paid electricity ksh2,600
 - January 29 sold goods on credit to Mbai for Shs.28,600
 - January 29 paid salaries Shs20,000 in cash
 - Received cash Shs27,600 from Mbai in full installments of goods sold to him.
 - Banked cash till Shs.60,000

Required:

Three column cash book duly balanced. (11 Marks)

(b) Highlight on the following accounting terms”

- (i) The economic entity assumption (1 Mark)
- (ii) The going concern assumption (1 Mark)
- (iii) The periodicity assumption (1 Mark)
- (iv) The monetary unit assumption (1 Mark)

QUESTION FOUR - (10 MARKS)

- (a) Discuss the users of the accounting information. (5 Marks)
- (b) Define depreciation and explain the causes of depreciation citing possible examples. (5 Marks)