MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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University Examinations 2012/2013

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR CERTIFICATE IN COUNTY
GOVERNANCE

CCG 0105: INTRODUTION TO FINANCIAL REPORTING

DATE: DECEMBER 2012   **TIME: 2 HOURS**

INSTRUCTIONS: *Answer question* **one** *and any other* **two** questions

QUESTION ONE – 30 MARKS

a. Explain five functions of accounting.   (10 Marks)
b. Write short notes on the following: (10 Marks)
    i.   Liabilities
    ii.   Debtors
    iii. Creditors
    iv.   Capital
    v.   Assets
c. Sammy starts a business on **April 1ˢᵗ 2012** with cash of Ksh50,000. The following transactions took
    place during **April 2012**

    April 1:   Opened a bank account with Equity Bank paying in Ksh45,000
    April 2:   Bought goods for cash Sh1,000
    April 3:   Bought motor vehicle and paid by cheque Sh20,000
    April 5:   Bought goods for Sh5,000 and paid by cheque
    April 7:   Sold goods for cash Sh2,000
    April 10:   Paid expenses Sh500 in cash
    April 15:   Sold goods and received a cheque for Sh3,500
    April 16:   Paid cash into bank Sh2,000
    April 17:   Bought goods for cash Sh1,500
    April 20:   Paid wages to an assistant Sh1,000 in cash
    April 22:   Cashed cheque for office cash Sh1,500
    April 30:   Paid expenses Sh800 in cash

    Required:

    Enter the above transactions in a two column cash book.   (10 Marks)

QUESTION TWO – 20 MARKS

a. Explain five errors that are not disclosed by a trial balance.   (5 Marks)

b. Uzima started business on **1st January 2012** with Sh1,500,000 in bank and Sh40,000 in cash. His transactions for the month of January were:

Jan 1:	Purchased a typewriter worth Sh50,000 by cheque
Jan 2:	Purchased office furniture by cheque Sh30,000
Jan 4:	Withdrew Sh25,000 from bank for office use
Jan 7:	Purchased stationery Sh600 in cash
Jan 12:	Sold goods worth Sh8,000 to Kimathi on credit
Jan 18:	Bought stock worth Sh32,000 on credit from Mwiti
Jan 25:	Received a cheque of Ksh4,500 from Kimathi
Jan 27:	Purchased stationery Sh200 in cash
Jan 29:	Paid Mwiti Sh24,000 by cheque
Jan 30:	Received cash Sh2,000 from Kimathi

Required:

Record the above in ledger accounts and extract a trial balance.   (15 Marks)

QUESTION THREE – 20 MARKS

a. Explain 5 books of original entry.   (10 Marks)
b. Explain 5 source documents used in accounting.   (10 Marks)

QUESTION FOUR – 20 MARKS

Samuel has given you the following balances extracted from his books as at **30th September 2012**

Cash on hand	1,200
Cash in bank	11,000
Stock 1.9.2012	21,000
Debtors	8,000
Creditors	10,000
Return inwards	500
Sales	56,000
Purchases	20,500
Capital	14,900
Salaries	4,000
Water and electricity	600
Postage	200
Drawings	900
Stock 30.9.12	13,500
Furniture and fittings	7,500
Motor van	35,000
Loan (I.C.D.C)	30,000
Rent received	1,200
Office rent	1,700

Required:

a. Prepare his trading, profit and loss account
b. Prepare his balance sheet as at **30.9.2012**.   (20 Marks)

QUESTION FIVE – 20 MARKS

The following bank statement was received by Mugo a trader on **31st March 2012**.

	Debit (Sh)	Credit (Sh)	Balance (Sh)
Balance			8,400
Deposits		11,640	20,040
Deposits		1,745	21,785
Cheque No. 716	7,200		14,585
Cheque No. 717	1,360		13,225
Deposits		2,500	15,725
Cheque No 719	3,400		12,325
Bank Charges	50		12,275
Cheque No 721	2,840		9,435
Unpaid Cheque	4,250		5,185
Deposits		3,600	8,785
Cheque No. 718	4,850		3,935
Standing Order Rent	5,000		1,065

His cash book (Bank Column) had the following entries for **March 2012**

Cash Book		Bank Column Only	
Bal bf	8,400	Cheque No. 716	7,200
Deposits	11,640	Cheque No. 717	1,360
Deposits	1,745	Cheque No. 718	4,850
Deposits	3,600	Cheque No. 719	3,400
Deposits	4,285	Cheque No. 720	2,610
		Cheque No. 721	2,840
		Cheque No. 722	3,180

Given that no error was made either in the Bank statement or the cashbook, complete and balance the cash book as at **31st March 2012** and prepare a bank reconciliation statement.   (20 Marks)