



MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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University Examinations 2011/2012

FIRST YEAR, FIRST SEMESTER EXAMINATIONS FOR DIPLOMA/CERTIFICATE IN
BUSINESS ADMINISTRATION

DBA 0105: PRINCIPLES OF ACCOUNTING

DATE: AUGUST 2011

TIME: 1½HOURS

INSTRUCTIONS: Answer *all* the questions

QUESTION ONE – (30 MARKS)

- (a) Outline five users of financial statements (Accounts) and their information need.

(3 Marks)

- (b) The following balances were extracted from the books of K. Kariuki on September 30, 2010 . You are required to prepare a trial balance

	Sh
Purchases	5,600
Sales	7,500
Cash at bank	1,560
Furniture	1,500
Sundry debtors	1,840
General expenses	500
Sundry creditors	2,000
Motor vehicle	3,000

(2 Marks)

- (c) Write up three-column cash book for M. Muriungi from the details given below, then balance off the cash book at the end of the month and show the discount accounts in the general ledger.

(25 Marks)

June 1 Balances b/f cash Sh2,500

Bank Sh 7,400

June 2 Bought goods by cheque Sh2,000

June 3 cash sales Sh1,800

June 5 Banked cash Sh2,000

June 6 Paid by cheque, in each case cash discount received 3%. A. John Sh1,500, H. Hotman Sh3,000, D. Jackson Sh1,400.
 June 7 Received by cheque, in each case discount allowed 5% B.Shaw Sh4,000, B.Benhim Sh.3,000, J, Mathus Sh3,200.
 June 10 bought office furniture by cheque Sh3,000
 June 15 Cash drawings Sh500
 June 20 Paid to A. Adleman Sh600 cash less 3% discount
 June 22 Received cash from A. Smith Sh1,500 less 4% discount
 June 30 Paid wages in cash Sh1,000

QUESTION TWO – (20 MARKS)

M Muguna has been trading for some years as a wine merchant. The following list of balances has been extracted from his ledger as at 30 April 2007, the end of his most recent financial year.

	Sh
Capital	83,887
Sales	259,870
Trader creditors	19,840
Returns out	13,407
Allowance for doubtful debts	512
Discount allowed	2306
Discount received	1750
Purchases	135,680
Returns inwards	5624
Carriage outwards	4562
Drawings	18440
Carriage inwards	11830
Rent, rates and insurance	25,973
Heating and lighting	11,010
Postage, stationery and telephone	2410
Advertising	5980
Salaries and wages	38,521
Bad debts	2,008
Cash in hand	534
Cash at bank	4440
Inventory as at 1 May 2006	15654
Debtors	24,500
Fixtures and fitting – at cost	120,740
Provision for depreciation on fixtures and fittings – as at 30 April 2007	63,020
Depreciation	12,074

The following additional information as at 30 April 2007 is available

- (i) Inventory at the close of business was valued at £17,750
- (ii) Insurance had been prepaid by £1,120
- (iii) Heating and lighting is accrued by £1,360
- (iv) Rates have been prepaid by £5435
- (v) The allowance for doubtful debt is to be adjusted so that it is 3% of trade debtors.

Required:

Prepare Mr. Miguna's trading profit and loss account for the year ending 30 April 2007 and a balance sheet as that date. (20 Marks)

QUESTION THREE – (20 MARKS)

- (a) Write the cash book up to date, and state the new balance as on 31 December 2009
- (b) Draw up a bank reconciliation statement as on 31 December 2009

Cash book						
2009	Dr	£	209	Cr		
Dec 1	Balance b/d	3419	Dec 8	B young	462	
7	F Lamb	101	15	R Gray	21	
22	G Brock	44	28	T errant	209	
31	W Terry	319	31	Bal c/d	<u>3437</u>	
31	S Miller	<u>246</u>				
		<u>4129</u>				<u>4129</u>

Bank Statement				
		DR (£)	CR (£)	Bal (£)
Dec 1	Balance b/d			3419
7	cheque		101	3520
11	B. Young	462		3058
20	F Gray	21		3037
22	Cheque		44	3081
31	Credit transfer; T mums		93	3174
31	Bank charges	47		3127

(20 Marks)