



**MERU UNIVERSITY COLLEGE
OF SCIENCE & TECHNOLOGY**

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University Examinations 2011/2012

**FIRST YEAR, FIRST SEMESTER EXAMINATION FOR DIPLOMA/CERTIFICATE IN
BUSINESS ADMINISTRATION**

DBA 0105: PRINCIPLES OF ACCOUNTING

DATE: DECEMBER 2011

TIME: 1½HOURS

INSTRUCTIONS: *Answer all the questions*

QUESTION ONE – (30 MARKS)

- (a) Explain the following terms as used in accounting
- (i) Debtor (2 Marks)
 - (ii) Creditor (2 Marks)
 - (iii) Transaction (2 Marks)
- (b) Prepare the balance sheet of Jacob Ngweno on 30th September 2011 from the following list of assets and liabilities. Ascertain and insert his capital
- | | | |
|------------------------|-------|-----------|
| | Shs | |
| Bank overdraft | 5,300 | |
| Cash in hand | 240 | |
| Debts due to Ngweno | 2,760 | |
| Debts due by Ngweno | 1,200 | |
| Stock of goods | 2,800 | |
| Furniture and fittings | 4,800 | |
| Buildings | 7,000 | (5 Marks) |
- (c) Draw the T-accounts for the following transactions
- (i) The proprietor starts the business with Sh1,000,000 cash on 1 August 1996
 - (ii) A motor vehicle is bought for Sh275,000 cash on 2 August 1996.
 - (iii) Fixtures bought on credit from shop fitters Ltd for Sh17,500 on 3 August 1996.
 - (iv) Paid the amount owing in cash to shop fitting on 17 August 1996. (10 Marks)
- (d) Explain the following terms as used in accounting:
- (i) Fixed assets (2 Marks)
 - (ii) Current assets (2 Marks)
 - (iii) Current liabilities (2 Marks)

(iv) Long-term liabilities

(3 Marks)

QUESTION TWO – (20 MARKS)

From the following Trial Balance of B Webb prepare a trading, profit and loss account for the year ended 31 Dec 1996 and a balance sheet at that date

Trial balances as on 31 Dec 1996.

| | (Sh) | (Sh) | |
|--------------------------|--------|--------|------------|
| Sales | | 18,462 | |
| Purchases | 14,629 | | |
| Salaries | 2,150 | | |
| Motor expenses | 520 | | |
| Rent | 670 | | |
| Insurance | 111 | | |
| General expenses | 105 | | |
| Premises | 1,500 | | |
| Motor vehicle | 1,200 | | |
| Debtors | 1,950 | | |
| Creditors | | 1,538 | |
| Cash at bank | 40 | | |
| Cash in hand | 895 | | |
| Capital | | 5,424 | |
| Stock at 31 Dec 1996 was | 2,548 | | (20 Marks) |

QUESTION THREE

Enter up a three-column cash book from the following. Balance off at the end of the month and show the relevant discount accounts as they would appear in the general ledger.

1997 May 1 Started business with £6,000 in the bank
May 1 bought fixtures paying by cheque £950
May 2 bought goods paying by cheque £1240
May 3 cash sales £407
May 4 paid rent in cash 200
May 5 N Morgan paid up his account £200 by a cheque for £210, we allowed him £10 discount

| | |
|--------|--|
| May 7 | Paid S Thompson and Co £80 owing to them by means of a cheque £76, they allowed us £4 discount |
| May 9 | We received a cheque for £380 from S Cooper, discount having been allowed £20 |
| May 12 | Paid rates by cheque £410 |
| May 14 | L. Curb's pays us a cheque for 115 |
| May 16 | Paid M Monroe his account of £1,200 by cash £114, have deducted £6 cash discount |
| May 20 | Peter pays us a cheque for £78, having deducted £2 cash discount |
| May 31 | Cash sales direct into the bank £88 |

QUESTION FOUR – (20 MARKS)

- (a) Explain six errors not affecting trial balance. (12 Marks)
- (b) Explain four errors disclosed by a trial balance. (8 Marks)

QUESTION FIVE – (20 MARKS)

- (a) Explain any five users of accounting information. (10 Marks)
- (b) The following are the assets and liabilities of John Mue on 1st May 1990
- Cash at bank Sh17,500
 - Warehouse Sh11,000
 - Muthoni (Creditor) Sh8,000
 - Stock of furniture Sh3,500'
- Find the capital for John Mue's business (5 Marks)
- (c) Explain the effect of drawings to a business (5 Marks)