



MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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University Examinations 2012/2013

FIRST YEAR, FIRST SEMESTER EXAMINATION FOR THE DIPLOMA IN BUSINESS
ADMINISTRATION

HDC 0105: PRINCIPLES ACCOUNTING

DATE: DECEMBER 2012

TIME: 1 $\frac{1}{2}$ HOURS

INSTRUCTIONS: *Answer all questions*

QUESTION ONE - (30 MARKS)

- a) Explain the elements of accounting equation. (6 Marks)
- b) Mr. Murithi started a business on 1st Jan 2012 with a capital of Shs.400,000 in the bank and Sh50,000 cash. During the month of January, he undertook the following transactions:
- On 2nd he purchased a motor vehicle for business for Sh.100,000 and paying by cheque.
 - On 3rd he sold goods for cash Sh.50,000 and also purchased goods for sale Sh.200,000 paid by cheque.
 - On 10th he sold goods on credit to Mr. Kim Sh.300,000
 - On 11th purchased goods for Sh40,000 paying by cash
 - On 12th purchased goods on credit from Umoja Ltd for Sh500,000
 - Purchased goods on credit on 15th Jan from Mrs. Kendi for Sh.30,000
 - On 17th Mr. Kim returned goods sold to him worth Sh.5,000
 - On 20th Mr. Murithi returned goods purchased from Umoja Ltd worth Sh.30,000
 - On 22nd purchased goods for cash Sh10,000
 - On 23rd paid transportation cost for goods purchased Sh.10,000 by cheque.
 - On 26th he withdrew Sh.100,000 for business use
 - On 27th he withdrew Sh.20,000 for personal use
 - Transferred money to the bank on 28th Sh.80,000

Required

- i. Post the entries into the ledger account. (8 Marks)
 - ii. Prepare the trial balance to show balances in the ledger accounts at period end. (6 Marks)
- c) Discuss the limitations of accounting ratios. (10 Marks)

QUESTION TWO – (20 MARKS)

The following trial balance was taken from the books of Carol on 30th June 2012.

	Dr.	Cr.
	Sh.	Sh.
Drawings	20,000	
Purchases and sales	713,200	923,000
Wages and salaries	42600	
Cash in hand	700	
Cash at bank		6000
Debtors and creditors	69000	
Capital		200000
Stock 1 st July 2011	53000	
Electricity	14000	
Premises	100000	
Offices expenses and stationery	9500	
Rates and insurance (1 st July 2011)	12400	
Bad debts	2900	
General expenses	14400	
Motor vehicle running expenses	38400	
Motor vehicle	44100	
Furniture and equipment	40000	
Returns inwards and outwards	<u>23000</u>	<u>10000</u>
	<u>1197200</u>	<u>1197200</u>

The following additional information is provided:

1. General expenses accrued but unpaid on 30th June 2012 Sh.3600 and electricity Sh.2,200
2. Prepaid insurance amounted to Sh.3100 and unused stationery sh.1600 on 30th June 2012.
3. The stock on 30th June 2012 had a value of Shs.56500.

Required:

Prepare Carol's

- a) Trading, profit and loss account for the year ended 30th June 2012. (12 Marks)
- b) Balance sheet as at that date. (8 Marks)

QUESTION THREE – (20 MARKS)

- a) P. Ken started business at 1st January 2012 with cash of Sh.500,000 the following transactions took place during that month.
- Jan 1 opened a bank account with K.C.B paying in Shs.450,000
 - Jan 2 bought goods for cash Sh1,000
 - Jan 3 bought furniture and paid by cheque Sh.200,000
 - Jan 5 bought goods for Sh5000 and paid by cheque
 - Jan 7 sold goods on credit Sh2,000
 - Jan 8 bought goods on credit from Tom for Sh25,000
 - Jan 10 paid expenses Sh.5,000 in cash
 - Jan 16 paid cash into bank Sh2,000
 - Jan17 sold goods and received a cheque for Sh3,500
 - Jan 18 bought goods for cash Sh1,5000
 - Jan 22 cashed cheque for office cash Sh.15,000

Required:

Prepare a trio columned cash book as at 31st Jan 2012. (14 Marks)

- b) Explain the following terms as used in a partnership accounts:
- i. Partners current account (2 Marks)
 - ii. Partners capital account (2 Marks)
 - iii. Appropriation account (2 Marks)