



# MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

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## University Examinations 2013/2014

FIRST YEAR, FIRST SEMESTER EXAMINATION FOR DIPLOMA IN BUSINESS  
ADMINISTRATION

### DBA 0105: PRINCIPLES OF ACCOUNTING I

DATE: APRIL 2014

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

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

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#### QUESTION ONE – (30 MARKS)

(a) Explain each of the following accounting concepts:

- |                        |           |
|------------------------|-----------|
| (i) The going concern. | (2 Marks) |
| (ii) Business entity   | (2 Marks) |
| (iii) Materiality      | (2 Marks) |
| (iv) Prudence          | (2 Marks) |

(b) Differentiate the following:

- |  |           |
|--|-----------|
| (i) Returns outwards and returns inwards     |           |
| (ii) Carriage inwards and carriage outwards. | (6 Marks) |

(c) Khan Ltd a merchandising firm provided the following information.

	Kshs.
Purchases during the year	140,000,000
Purchases returns	6,000,000
Opening inventory	60,000,000
Closing inventory	68,000,000
Carriage inwards	2,000,000

Required

Compute the cost of goods sold by Khan Ltd. (8 Marks)

(d) The following information was obtained from the books of Joseph relating to the year 2013

	Kshs.
Jan 1 Balance brought forward	1,150
Dec 31 Sales per sales day book	6,085
Dec 31 Cash received per cashbook	4,895
Dec 31 Discount allowed per cashbook	259
Dec 31 Bad debts written off	55

Required

Prepare sales ledger control account.

(8 Marks)

### QUESTION TWO – (20 MARKS)

(a) Explain any five functions of accounting. (5 Marks)

(b) The following transactions relate to Kalkata Traders for the month of November 2013.

Nov 1 Issued invoice No.1607 to Bali Ltd of Sha.60,000 and invoice No. 1608 of Ksh.29,000 to Sali Ltd.

Nov 5: Received invoice No. 048 of Ksh.120,000 from Shuda enterprises and invoice No.801 of Shs.57,000 from Leta traders.

Nov. 8: Issued credit not No.006 of Ksh.3,200 to Bali Ltd.

Nov 20: Received a credit not No. 002 from Ruda Wholesalers Ksh.40,000

Nov 27: Received a credit note No.002 from Shuda enterprises Ksh.4,100

Nov 30: Issued a debit note No.101 of Shs2,000 to Ruda wholesalers.

Required

Record the items above in the

- (i) Sales journal
- (ii) Purchases journal
- (iii) Returns inwards journal
- (iv) Returns outwards journal

(15 Marks)

### QUESTION THREE – (20 MARKS)

The following information is an extract from Mangi's books as at 30<sup>th</sup> November 2013

	Kshs
Cash at hand	12,000
Cash at bank	110,000
Stock 1.9.2012	210,000
Debtors	80,000
Creditors	100,000
Returns inwards	5,000
Sales	560,000
Purchases	205,000
Capital	149,000
Salaries	40,000
Water and electricity	6,000
Postage	2,000
Drawings	9,000
Furniture and fittings	75,000
Motor van	350,000
Loan	300,000
Rent received	12,000
Office rent	17,000

Required

- (a) Prepare his income statement for the year ended 30<sup>th</sup> Oct. 2013
- (b) Prepare also the statement of financial position as at 30/10/2013 (20 Marks)

### QUESTION FOUR – (20 MARKS)

- (a) Explain any four errors which do not affect the trial balance. (8 Marks)
- (b) The following transactions relate to Mopeto traders for the month of March 2011.

March 1 Balances brought forward

Cash Shs.230,000

Bank Shs.4,756,000

March 2 Paid rent by cheque Shs.120,000

March 6 Borrowed Shs.1,000,000 from the bank receiving a cheque.

March 8 Paid motor expenses in cash Shs.44,000

March 12 Paid wages in cash Shs.160,000

March 18 Cash withdrawn from the bank Shs.350,000 for business use.  
March 24 Paid school fees from business bank account for Shs120,000  
March 25 Brought in the business his private motor valued atShs.200,000.  
March 29 Bought fixtures paying Shs.650,000  
March 31 Received commission by cheque Sh.88,000

Required

Prepare relevant ledger account and extract a trial balance as on 31 March 2011.

(12 Marks)