**MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**P.O. Box 972-60200 – Meru-Kenya.**

 **Tel: 020-2069349, 061-2309217. 064-30320 Cell phone: +254 712524293, +254 789151411**

**Fax: 064-30321**

**Website:** [**www.must.ac.ke**](http://www.must.ac.ke) **Email:** **info@must.ac.ke**

**University Examinations 2015/2016**

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR THE DIPLOMA IN BUSINESS ADMINISTRATION AND DIPLOMA IN PURCHASING AND SUPPLIES MANAGMENT

**BEF 1103: FUNDAMENTALS OF ACCOUNTING**

**DATE: NOVEMBER 2015 TIME: 11/2HOURS**

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

**QUESTION ONE (30 MARKS)**

1. Briefly explain the meaning of each of the following accounting concept, giving in each case, an example of the application of each.
2. Materiality (3 Marks)
3. Substance over form (3 Marks)
4. Money measurement (3 Marks)
5. Business entity concept (3 Marks)
6. The balance in the business account of Mr. Victor as at1st July 2007 was as follows:

July 1: Balances brought forward from June 2007

 Cash in hand sh.2, 500

 Cash at bank sh.15, 800

July 2: Sold goods for cash sh.3, 400

July 3: Bought goods and paid by cheque sh.4, 200

July 5: Paid rent cash sh.3, 000

July 7: Cashed cheque for sh.4, 000

July 8: Paid K. Ojara by cheque of sh.6, 000

July 9: Received a cheque of shs.3, 500 from A. Robert

July 11: Paid general expenses in cash sh.800

July 15: Paid wages in cash sh.2, 000

July 18: Bought goods and paid by cheque sh.4, 600

July 19: Sold goods and received cheque for sh.2, 800

July 20: Paid expenses in cash sh.500

July 22: Received a cheque from A. Smith for shs. 1, 500

July 25: Paid by cheque to S.Adamu sh.2, 200

July 28: Paid wages by cheque sh.3, 500

July 30: Sold goods for cash sh.2, 000

July 31: Banked cash keeping a balance of cash in hand sh.1, 000

**Required:**

Write up a two column cash book (10 Marks)

1. Mr. Mutinda is a businessman in Meru town dealing with electronics, during the auditing realized that he does not keep proper records of his business transactions but he gives the following information as at 1st December 2011.

Balance at bank Ksh.5, 500

Debtors Ksh.2,880

Motor vehicles Ksh.1, 970

Stocks in trade Ksh.280, 000

Bank overdraft Ksh.20, 000

Furnitures Ksh.25, 000

Creditors Ksh.130, 000

Cash on hand Ksh.108, 000

I.C.D loan 5 years Ksh.80, 000

Fittings Ksh.15, 000

Fixtures Ksh.20, 000

Prepaid wages Ksh.30, 000

Accrued expenses Ksh.22, 000

**Required:**

1. Prepare a balance sheet for Mr Matunda. (4 Marks)
2. Determine Mr. Matunda operating capital ( 4 Marks)

**QUESTION TWO (20 MARKS)**

Mr. Samuel Nzioka has given you the following balances extracted from his books as at 30th December 2005.

**Particulars Ksh.**

Cash on hand 1, 200

Stock as at 1.12.2015 21, 000

Debtors 8, 000

Creditors 10,000

Returns inwards 500

Sales 56, 000

Purchases 20, 000

Capital 14, 900

Water and electricity 600

Salaries 4, 000

Postal 200

Drawings 900

Stock 30.12.2005 13, 500

Furniture & Fittings 7,500

Motor van 35,000

Loan 3 years 30, 000

Rent received 1, 200

Office rent 1, 700

**Required:**

1. From the above balances prepare his Trial balance as at 30.12.2005 (5 Marks)
2. Prepare his Trading and profit and loss accounts for the month (16 Marks)
3. Prepare his balance sheet as at 30.12.2015 (6 Marks)

**QUESTON THREE (20 MARKS)**

Kimata started a business on 1st July 2014 by investing sh.200, 000 deposited in the bank account and shillings 50, 000 of his furniture.

The transactions during the month were as follows:

1. Paid rent for July for sh.14, 050 by cheque
2. Draw sh.40, 000 from bank for office use.
3. Paid sh.11, 600 cash for renovations at premises.
4. Paid sh,7,000 cheque for advertisements

13.Bought goods for sale on credit from Manzo limited at sh.230, 000

14. Paid goods sh.120, 000 each

14. Paid wages of sh.30, 900 by cheque

15. Withdraw sh.5, 330 from the business for personal use.

15. Paid electricity for sh.3, 000 cash

16. Deposited sh. 50, 000 to bank account

19. Purchased goods for sale on credit from Biashara sh.140, 000

19. Sold goods worth sh.200, 000 to Kijana on credit

20. Paid sh.123, 390 to Manzo ltd

20. Paid cash maintenance service cost of sh.810 and sh.1,200 for cleaning the office.

23. Received sh.100, 000 by cheque from Kijana

25. Paid sh.3, 500 for telephone

29. Purchased a computer for sh.30, 000 by cheque

30. Paid sh.1, 000 for a three month insurance policy

31. Cash sales shs.120, 000

**Required:**

Draw the necessary ledger entities and extract the trial balance as at 31/7/2013 (20 Marks)

**QUESTION FOUR (20 MARKS)**

1. State and explain the limitations of financial information of any given organization

 (10 Marks)

1. A. Smith whose financial position on January 1st 2010 is as follows:

**Particulars Shs.**

Cash in hand 1, 500

Cash in bank 12, 000

Furniture and Fittings 25, 000

Stock of goods 18, 000

Debtors

P. Black 1,800

R. Bilton 2, 300

Creditors

1. Thomas 3, 100

CAPITAL 58, 500

**Required:**

Prepare closing journal entries (10 Marks)

**QUESTION FIVE (20 MARKS)**

1. Discuss the differences between straight line and reducing balance method (5 Marks)
2. The following trial balance was extracted from the books of Dr. Mwiti, a trader as at 31st December 2010.

Ksh Ksh

Capital 40, 000

Purchases/sales 43, 000 75, 000

Freehold land & building 15, 000

Plant & machinery 9,000

Motor vehicles 6, 000

Wages and salaries 8, 900

Rent and rates 4, 300

Major vehicles expenses 1, 250

General expenses 3, 550

Discount allowed 1, 250

Discount received 1, 072

Debtors/creditors 13, 500 8, 500

Drawings 3, 000

Provision for depreciation:

1. Plant and machinery 4, 500
2. Motor vehicles 2, 928

Stock at start 7, 5000

Balance at bank 8, 250

 132, 000 132, 00

**Addition information:**

1. Stock at 31st December 2010 sh.8, 500
2. Provide for depreciation on plans to 10% on cost and motor vehicles 20% in as written down value
3. The expenditure on repairs to buildings is to be capitalised sh.5, 000

**Required:**

Prepare a trading and profit and loss account for year 2010 and a balance sheet as at 31st December 2010 (15 Marks)