

**MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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**University Examinations 2014/2015**

FIRST YEAR, FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE , BACHELOR OF BUSINESS ADMINISTRATION AND BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT , FIRST YEAR , SECOND SEMESTER EXAMINATION FOR BACHELOR OF SCIENCE COMPUTER TECHNOLOGY AND BACHELOR OF SCIENCE INFORMATION TECHNOLOGY,FOURTH YEAR, FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE COMPUTER SCIENCE

**BFC 3125 – FINANCIAL ACCOUNTING I**

**DATE: APRIL 2015 TIME:** $2 $**HOURS**

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

**QUESTION ONE (30 MARKS)**

The following trial balance was extracted from the books of Munene wa Kirunguru a sole trader in Maua as at 31 October 2014.

 **Kshs Kshs**

Capital 121,626

Drawings 12,888

Sales and purchases 372,606 490,452

Debtors and creditors 47,616 32,772

Rent and rate 5,280

Electricity 1,476

Salaries and wages 49,608

Povision for doubtful debt(1 Nov 2013) 1,956

Stock ( 1 Nov 2013) 55,644

Insurance 1,032

General expenses 5,598

Bank balance 9,000

Cash in hand 492

Motor vehicle (cost) 58,000

Provision for depreciation (motor Vehicle) 21,600

Proceeds from sale of motor vehicle 11,500

Motor vehicle expenses 5,166

Premises (at cost) 60,000

Rent received ………. 4,500

684,406 684,406

**Additional Information**

1. Stock in trade as at 31 October 2014 was valued at Ksh 59,304
2. Rates and insurance were prepaid to the extent of Ksh.240 and Ksh 282 respectively as at 31 October 2014.
3. Electricity due as at 31 October 2014 amounted to Ksh. 600
4. Provision for doubtful debt is to be adjusted to Ksh 5% of the debtors remaining after taking in account that sh 2016 of the debtors were considered as bad.
5. Rent receivables as at 31 October 2014 was Ksh 1500
6. No depreciation is to be charged on premises
7. Depreciation on motor vehicle is charged at 10% of cost
8. In November, 2013 a motor vehicle which had been purchased for Ksh. 160,000 on November 2000 was sold for Ksh 11,500. The only record of this disposal is the entry in the proceeds for sale of motor vehicle account.

**Required :**

1. The income statement for the year ended 31 October 2014 (12 Marks)
2. Statement of financial position as at 31 October 2014. (8 Marks)

b) Write brief notes on the following:

1. Book keeping and accounting (4 Marks)
2. International Accounting standards (IAS) and international Financial Reporting Standards. (6 Marks)

**QUESTION TWO (20 MARKS**)

Judy Karimi opened a shop at Makutano – Meru on 1 January 2015. The following transactions took place in the month of January 2015.

January 2015

1. Introduced ksh 20,000 in cash into the business from her private bank account.
2. Opened a business bank account by transferring Ksh. 18,000 of the business cash into the account

5. Paid Ksh. 500 in cash being rent for the month

6. Bought second hand shop equipment at Ksh. 300 and paid by cheque

9. Purchased goods for resale at sh. 1000 paying them in cash

11. Purchased goods for resale on credit worth Ksh. 2000 from Wanjiru

20. Returned goods worth Ksh 200 to Wanjiru

23. Made cash sales of Ksh 1500

25. Paid Wanjiru Ksh 1620 by cheque

26. Sold on credit goods worth Ksh 1000 to Ali

28. Received a cheque of Ksh.450 from Ali in settlement of his account the balance being treated as a cash discount

30. Sold some of the second-hand office equipment at Ksh 100 in cash. There was no profit or loss on disposal.

30. Made a cash withdrawal of Ksh 150 for her private use.

**Required;**

1. Ledgers accounts (including the three column cash book to record the above transactions.

(15 Marks)

1. Trial balance as at 31 January 2015 (5 Marks)

**QUESTION THREE (15 MARKS)**

1. For each of the following;
2. Identify the type of error mode
3. Define the error
4. Pass journal entry to correct the error
5. The purchase of a machine Ksh. 500,000 is debited to purchases Account instead of being debited to machinery account. (3 Marks)
6. A cash sale of Ksh 60,000 is completely omitted from the books (3 Marks)
7. A credit sale to N.Kinoti of Ksh 88,000 is debited to the account of N.Inoti(3 Marks)
8. Payment of wages of Ksh 1000 is credited to wages account and debited to bank account.

(3 Marks)

1. Charles Nyaga is a trader at Chuka town. His cash book bank column for the month of December, 2014 was as follows:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date  | Cheque No. | Details  | Amount  | Date  | Cheque No. | Details  | Amount  |
| 1 |  | Bal b/d  | 25000 | 3 | 121 | Furniture  | 7500 |
| 4 | 020 | Mary  | 7500 | 5 | 122 | Salaries  | 8000 |
| 6 | 039 | Kate  | 6500 | 8 | 123 | Karim  | 7500 |
| 12 | 026 | Omolo | 8000 | 26 | 124 | Jeptoo | 6000 |
| 18 | 186 | Jomo | 10000 | 22 | 125 | Odhiambo | 5000 |
|  |  |  |  | 31 |  | Bal c/d | 23000 |
|  |  |  | 57000 |  |  |  | 57000 |

His bank statement as at 31Decmber 2014 was as follows:

Bank statement 31.12.14

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date  | Details  | Debit  | Credit  | Balance  |
| 1345667152531 | Balance 121020122Ledger fees 039InternetTelcomCommunication Balance | 25000750080005001000500- | 750065001500- | 25000175002500017000165002300024500235002300023000 |

**Required :**

1. An updated cash (4 Marks)
2. Bank reconciliation as at 31 December 2014. (4 Marks)

**QUESTION FOUR (20 MARKS)**

The following is an extract from the balance sheet of Meru ltd as at 31 March 2011

 Ksh ‘000’

Lorries at cost 3375

Less: provision for depreciation 1545

Net book value at 31 March 2011 1830

During the year to 31 March 2012, the following transactions took place , the lorries being identified by their registration numbers.

1. Two lorries were sold KBL 201 had originally cost sh. 350,000 in January 2008 and was sold for Ksh. 100,000 on 30June 2011 while KBL 302 had cost Ksh. 750,000 on 25 March 2009 and was sold for Ksh 250,000 on 31 March 2012
2. Three new lorries were purchased KBC 401 on 1 July 2011 at a cost of 750,000 and KBC 502 on 1 February 2012 at a cost of Ksh.1250,000. However, KBC 401 proved too small and and was replaced with KBC 603 on December 2011. This would have cost Ksh 3,000,000 but Ksh. 2,000,000 was accepted by the supplier in part exchange for KBC 401.

The company uses straight line method of depreciation at a rate of 20% per annum on original cost. A full year’s depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal.

**Required:**

1. Write up the lorries account, the provision for depreciation account and the lorry disposal account for the year to 31 March 2012. (18 Marks)
2. Show how the balances would appear on the balance sheet as at that date. (2 Marks)

**QUESTION FIVE**

1. “Qualitative characteristics are the attributes that make information provided in financial statement useful to others”

Briefly explain the four main qualitative characteristics of financial statement.(8 Marks)

1. Briefly explain the meaning of each of the following accounting concepts, giving in each case, an example of the application of each;
2. Substance over form (2 Marks)
3. Money measurement (2 Marks)
4. Business entity (2 Marks)
5. Define the term ‘asset’ and explain the criteria used in recognizing an asset. (2 Marks)
6. Give four purposes of control accounts. (4 Marks)