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**University Examinations 2014/2015**

FIRST YEAR, SUPPLEMENTARY/SPECIAL EXAMINATION FOR BACHELOR OF COMMERCE

**BEF 1103 : FUNDAMENTALS OF ACCOUNTING I**

**DATE: OCTOBER, 2015 TIME: HOURS**

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

**QUESTION ONE – (30 MARKS)**

1. Mr. Gitonga starts business as at April 1st 2013 with cash shs.50,000. The following transactions took place during April 19th 2012.

April 1 - Opened a bank account with KCB paying in shs 45,000

April 2 - Bought goods for shs. 5,000 and paid by cheque

April 3 - Bought motor vehicle and paid by cheque sh. 20,000

April 5 - Bought goods for shs. 5,000 and paid by cheque

April 7 -Paid expenses shs. 500 in cash

April 10 – sold good for cash sh. 2,000

April 15- Sold goods and received a cheque for shs. 3,500

April 20 – Paid wages to an assistant shs. 1,000 in cash

April 22 – Cashed cheque for office cash sh. 1,500

April 30 – Paid expenses sh. 800 in cash

**Required:**

Draw two column cash book. (10 Marks)

1. Explain clearly in terms which a non-accountant would understand the following terms.

(10 Marks)

1. The ‘going concern’ concept
2. The ‘prudence’ concept
3. The ‘materiority’ concept
4. The historical cost accounting’ concept
5. The ‘Business entity’ concept
6. Mr.Mutinda is a businessman in Meru town, dealing with electronics , during auditing he realized that he does not keep proper records of his business transaction 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 in hand Ksh 80,000

Fittings Ksh 15,000

Fixtures Ksh 20,000

Prepared wages Ksh 30,000

Accrued expenses Ksh 22,000

**Required:**

Determine Mr. Mutindas’ opening capital account and prepare a balance sheet. (10 Marks)

**QUESTION TWO (20 MARKS)**

Mr. Muthama started a business in 1st March, 2002. The transactions for the month of March are given below;

1. Started business with shs. 50,500 of which sh. 20,500 is deposited into bank.
2. Bought furniture for cash shs. 5,500 and a computer for shs. 8,500

4. Purchased goods for cash shs. 14,500

6. Sold goods for cash shs. 8,500

8. Purchased goods from Bamburi Co.Ltd shs. 11,500 on credit

9. Paid office rent for the year by cheque sh. 500

10. Bought one fax machine for shs. 2,500 from fax machine company on credit

11. Sold goods to Kionga for shs. 12,500

12. Sold goods to Kamau for shs.2,500

13. Amount withdrawn for personal use shs. 2,500

15. Withdraw from bank for office use shs. 3,500

18. Received from Konga cash sh. 11,900 and allowed him discount at sh. 600

20. Deposited into bank shs. 5,900

25. Goods worth shs.1,500 returned to Bamburi Co. ltd and the balance settled by issuing a cheque

28. Bought goods worth sh. 3,000 to Babu for sh. 3,500

30. Babu returned goods worth sh 350 which in turn is returned to Kionga.

31. Paid cash for office expense shs. 500 and postage stamps shs 655.

**Required:**

Draw the journal entries for the transactions, post them to respective ledger accounts and prepare a trial balance as at 31st March 2002

**QUESTION THREE (20 MARKS)**

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

Cash in hand Kshs 1,200

Cash at bank Kshs 11,000

Stock as at 1/12/2015 Kshs 21,000

Debtors Kshs. 8,000

Creditors Kshs 10,000

Return inwards Kshs 500

Sales Kshs 56,000

Purchases Kshs. 20,000

Capital Kshs 14,900

Water & electricity Kshs 600

Salaries Kshs 4,000

Postage Kshs.200

Stock 30/12/2005 Kshs. 13,500

Drawings Kshs 900

Furniture & fittings Kshs 7,500

Motor van Kshs. 35,000

Loan 3 years Kshs 30,000

Rent received Kshs 1,200

Office rent Kshs,1,700

**Required:**

1. From the above ….. prepare his Trial balance as at 30.12.2005 (4 Marks)
2. Prepare his trading and profit and loss account for the month. (10 Marks)
3. Prepare his Balance sheet as at 30.12.2015. (6 Marks)

**QUESTION FOUR (20 MARKS)**

1. Briefly discuss the following: (3 Marks)
2. Debt note
3. Invoice
4. Credit note
5. Real accounts
6. Norminal accounts
7. The audit at the books of Mr. kamau’s books for the year ending 31st December,2011 revealed the following errors;
8. A machine purchased for sh. 1,200 had been debited to the purchase account
9. Goods purchased Sam A. Burton for shs 150 were credited to the account of A. Burton
10. An invoice from A. smith for sh 270 was omitted
11. Good sold to A unitestar sh. 175 were entered in the sales day book as shs 157
12. The salaries and wages account was over added by shs 35 and rent received account had also been over added by sh 35.

**Required:**

Show by means of journal entries how the above errors should be corrected in the books of Mr.Kamau. (10 Marks)

**QUESTION FIVE (20 MARKS)**

The following trial balance was extracted from the books of Dr. Mwiti a trader as at 31/12/2010.

Ksh ksh

Capital 40,000

Purchases/ sales 43,000 75,000

Freehold land & Building 15,000

Plamt & machinery 9,000

Motor vehicles 6,000

Wages and salaries ` 8,900

Rent & Rates 4,300

Motor vehicle expenses 12,500

General expenses 3,550

Discount allowed 1,250

Discount Received 1,072

Debtors/ Creditors 13,500 8,050

Drawings 3,000

Provision for Depreciation

Plant & machinery 4,500

Motor vehicles 2,928

Stock at start 7,500

Balance at bank 8,250

132,000 132,000

**Additional Information**

1. Stock at 31/12/2010 Shs .8,500
2. Provide for depreciation on plants and machinery at the rate of 10% on cost & motor vehicle 20% in written down value
3. The expenditure on repairs to building is to be capitalized shs. 5,000

**Required:**

Prepare a trading and profit and loss account for year 2010 and a balance sheet as at 31st December, 2010. (20 Marks)