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**University Examinations 2014/2015**

FIRST YEAR FIRST SEMESTER EXAMINATION FOR CERTIFICATE IN BUSINESS ADMINISTRATION AND CERTIFICATE IN PURCHASING AND SUPPLIES MANAGEMENT

**BFB 1103: FUNDAMENTALS OF ACCOUNTING**

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

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

**QUESTION ONE (30 MARKS)**

1. Explain clearly the main functions of accounting (10 Marks)
2. The following balance were extracted from the books of A. Smith as at 1st December 2012

shs

Capital 250,000

Loan from bank 50,000

Creditors 10,000

Office machinery 200,000

Stock of goods 35,000

Debtors 45,000

Cash at bank 30,000

**Required:**

Prepare A. Smith’s capital account as at 31st December, 2012 showing

1. Long-term liabilities
2. Current liabilities
3. Fixed assets
4. Current assets
5. Net worth (6 Marks)
6. Discuss different types of impersonal accounts (4 Marks)
7. Dr. Robert starts business as at 1st April 2013 with cash shs.50,000. The following transactions took place during April 2013

2013

April 1 – Opened a bank account with K.C.rs paying in shs.45,000

April 2 – Bought goods for cash Kshs.1,000

April 3 – Bought motor vehicle and paid by cheque shs.20,000

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

April 7 – Sold goods for cash shs. 2,000

April 10 – Paid expenses shs.500 in cash

April 15 – Sold goods and received by cheque for shs.3,500

April 16 – Paid cash into bank shs.2,000

April 17 – Bought goods for cash shs.1,500

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

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

April 30 – Paid expenses shs.800 in cash

**Required:**

Show the cash book entries into cash account and bank account separately (10 Marks)

**QUESTION TWO (20 MARKS)**

Mr. Samuel Nzioka has given you the following balances extracted from his books as at 30th September 2010

Shs.

Cash in hand 1,200

Cash in bank 11,000

Stock 2010 21,000

Debtors 8,000

Creditors 10,000

Returns inwards 500

Sales 56,000

Purchases 20,500

Capital 14,900

Salaries 4,000

Water &electricity 600

Postage 200

Drawings 900

Stock 30.09.2010 13,500

Furniture & fittings 7,500

Motor van 35,000

Loan (ICDC) 30,000

Rent received 1,200

Office rent 1,700

**Required:**

1. From the above balances prepare his Trial Balance as at 30.09.2010 (4 Marks)
2. Prepare his Trading, Profit and Loss Account for the month (8 Marks)
3. Prepare his Balance Sheet as at 30.09.2010 (8 Marks)

**QUESTION THREE (20 MARKS)**

1. Clearly explain the following terms:
2. Going concern concept
3. Materiality concept
4. Imprest system
5. Petty cash
6. General or nominal ledger (10 Marks)
7. The following categories of people are recognized as users of the information contained in financial statements
8. Financial analysts
9. The government
10. Investors
11. The employees

For each of the above users of financial statements, identify the kind of information they may require, why they require it and the decisions they make form that information (10 Marks)

**QUESTION FOUR (20 MARKS)**

Mr. John started a business in 1st March 2003. The transactions for the month of March are given below:

March

1: Started business with shs.50,500 of which shs.20,500 is deposited into bank

2: Bought furniture for cash shs.5,500 and 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 shs.500

10: Bought one fax machine for shs.2,500 form 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 Kshs.2,500

15: Withdrew from bank for office use shs.3,500

18: Received from Konga cash shs.11,900 and allowed him discount of shs.600

20: Deposited into the bank shs.5,900

25: Goods worth shs.1,500 returened to Bamburi Co. Ltd and the balance settledby using a

cheque

28: Bought goods worth shs.3,000 form Konga and Suppliedthem to Babu for shs.3,500

30: Babu returned goods worth shs.350 which in turn returned to Kionge

**Required:**

Draw journal entries for the transaction and post them into respective ledgers (20 Marks)

**QUESTION FIVE (20 MARKS)**

The following trial balance was extracted from the books of A. White, a trader, as at 31st December 2001

shs shs

Capital 40,000

Purchases/Sales 43,000 75,000

Free hold land & buildings 15,000

Plant & machinery 9,000

Motor vehicles 6,000

Wages & salaries 8,900

Rent & rates 4,300

Motor vehicles expenses 1,250

Repairs to buildings 7,500

General expenses 3550

Discount allowed 1,250

Discount received 1,072

Debtors & creditors 13,500 8,500

Drawings 3,000

Provision for depreciations:

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

Stock at start 7,500

Balance at bank 8,250

132,000 132,000

Additional information:

1. Stock at 31st December, 2001 shs.8,500
2. Provide for depreciation on plant and machinery of the rate of 10% on cost and machinery at the rate of 10% on cost and motor vehicle 20% in written down value
3. The expenditure on repairs to buildings is to be capitalized shs.5000

**Required:**

Prepare a trading and profit and loss account for the year 2001 and a balance sheet as at 31st December 2001