

**W1-2-60-1-6**

## JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

**UNIVERSITY EXAMINATIONS 2018/2019**

**EXAMINATIONS FOR THE CERTIFICATE IN BUSINESS ADMINISTRATION**

**HCB 0003: PRINCIPLES OF ACCOUNTING & FINANCE**

**DATE: APRIL 2019 TIME: 3 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

QUESTION ONE

a) State and briefly explain four functions of a finance manager (4 marks)

b) Explain the following accounting concepts (4 marks)

i) The consistency concept

ii) The entity concept

iii) Materiality concept

iv) Accrual concept

c) The following transactions took place during the month;

April 2 paid into bank from office sh50

“ 6 purchased gas engine on credit from B price sh 200

“ 10 R. Mills paid sh185 by cheque

“ 16 sold machine for cheque sh300

“ 20 paid rates by cash sh 10

Required:

Prepare journal and ledger accounts (10 marks)

d) K. Kobia has a business that has been trading for some time. You are given the following information as at 31.12.2014.

Sh.

Buildings 11,000

Furniture 5,500

Motor vehicles 5,800

Stocks 8,500

Debtor 5,600

Cash at bank 1,500

Cash in hand 400

Creditors 2,500

Capital 30,800

Loan 5,000

Required;

You are required to prepare a statement of financial position as at 31.12.2014 (12 marks)

QUESTION TWO

Mwaura starts a business as at 1st April 2015 with cash 50,000. The following transactions took place during the month.

April

1st Opened a bank account paying 45000

2nd Bought goods for cash sh 100

3rd Bought motor vehicle and paid by cheque sh 20,000

5th Bought goods for sh 5000and paid by cheque

7th Sold goods for cash sh200

10th paid expenses sh 300

15th Sold goods and received cheque for sh 3500

16th Paid cash into the bank sh 2000

17th Bought goods for cash 1500

20th Paid wages to an assistant sh 1000

22nd Cashed cheque for office cash sh 1500 in cash

30th Paid expenses for sh 800

Required:

Prepare two column cash book and balance it off (15 marks)

QUESTION THREE

The following trial balance was prepared for Kabichora Ltd on 31.12.2014.

Dr. Cr.

Capital 291000

Debtors 15000

Opening stock 50000

Creditors 13000

Carriage inwards 1500

Carriage outwards 2500

Return inwards 2800

Discount received 3000

Sales 350000

Commission allowed 1700

Purchases 180000

Rent 5000

Salaries 15000

Insurance 1500

Cash 12000

Motorvehicles 200000

Furniture 20000

Buildings 150000

657000 657000

Closing stock was valued at sh 88000

Required:

i) A statement of profit and loss account (7 marks)

ii) A statement of financial position (8 marks)

QUESTION FOUR

a) Explain THREE types of agency relationships in a firm (6 marks)

b) Highlight and explain THREE sources of business finance in a firm (6 marks)

c) Explain the THREE functions of accounting information (3 marks)