



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 Email: info@must.ac.ke

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: 1½ HOURS

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

QUESTION ONE (30 MARKS)

- a) Explain clearly the main functions of accounting (10 Marks)
- b) 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

- (i) Long-term liabilities
- (ii) Current liabilities
-

- (iii) Fixed assets
 - (iv) Current assets
 - (v) Net worth (6 Marks)
- c) Discuss different types of impersonal accounts (4 Marks)
- d) 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:

- (i) From the above balances prepare his Trial Balance as at 30.09.2010 (4 Marks)
- (ii) Prepare his Trading, Profit and Loss Account for the month (8 Marks)
- (iii) Prepare his Balance Sheet as at 30.09.2010 (8 Marks)

QUESTION THREE (20 MARKS)

a) Clearly explain the following terms:

- (i) Going concern concept
- (ii) Materiality concept
- (iii) Imprest system
- (iv) Petty cash
- (v) General or nominal ledger (10 Marks)

b) The following categories of people are recognized as users of the information contained in financial statements

- (i) Financial analysts
- (ii) The government
- (iii) Investors

(iv) 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 from 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 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 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 returned to Bamburi Co. Ltd and the balance settled by using a cheque
- 28: Bought goods worth shs.3,000 from Konga and Supplied them 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:		
(i) Plant and machinery		4,500
(ii) Motor vehicles		2,928
Stock at start	7,500	
Balance at bank	<u>8,250</u>	<u> </u>
	<u>132,000</u>	<u>132,000</u>

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