



MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

P.O. Box 972-60200 – Meru-Kenya.

Tel: +254(0) 799 529 958, +254(0) 799 529 959, +254 (0)712 524 293

Website: www.must.ac.ke Email: info@mucst.ac.ke

UNIVERSITY EXAMINATIONS 2023/2024

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE BUSINESS INFORMATION TECHNOLOGY, BACHELOR OF SCIENCE IN STATISTICS AND BACHELOR IN INFORMATION TECHNOLOGY

BFC 3125: FINANCIAL ACCOUNTING I

DATE: APRIL 2024

TIME: 2 HOURS

INSTRUCTIONS: Answer Question ONE and any other TWO questions.

QUESTION ONE (30 MARKS)

Define Accounting and explain its purpose in reference to different users of accounting information (10 Marks)

The following trial balance was extracted from the books of Raimutulla, a sole trader, at 31 st

December 2023:

| | Shs | Shs. |
|--------------------|--------|--------|
| Drawings/Capital | 2, 148 | 20,271 |
| Debtors/Creditors | 7,689 | 5,462 |
| Purchases/Sales | 62,101 | 81,742 |
| Rent and Rates | 880 | |
| Light and heat | 246 | |
| Salaries and wages | 8,268 | |



MUST is ISO 9001:2015 and



ISO/IEC 27001:2013 CERTIFIED

| | | |
|--|----------------|----------------|
| Bad debts | 247 | |
| Provision for bad debts | | 326 |
| Stock in trade 31 st Dec 2022 | 9,274 | |
| Insurance | 172 | |
| General Expenses | 933 | |
| Bank balances | 1,582 | |
| Motor van at cost/Provision for depreciation | 8,000 | 3,6000 |
| Proceeds on sale of van | | 250 |
| Motor expenses | 861 | |
| Freehold premises at cost | 15,000 | |
| Rent received | | 750 |
| Provision for depreciation on buildings | | <u>5 000</u> |
| | <u>117 401</u> | <u>117 401</u> |

The following matters are to be taken in to account:

1. Stock in trade at 31st December 2023 was Shs.9,884
2. Rates paid in advance at 31st December 2023, Shs.40
3. Rent receivable due at 31st December 2023, Shs.250
4. Lighting and heating due at 31st December 2023, sh.85

Required:

A Statement of Financial Performance for the year ended 31st December 2023 and a Statement of Financial Position as at date. (20 Marks)

QUESTION TWO (20 MARKS)

You are to enter the following transactions, completing the double entry in the books of John Mwangaza for the month of March 2024.

2002

March 1 Started business with Kshs 2,000,000 in the bank.



- “ 2 Purchased goods kshs157,000 on credit from Lucky M.
- “ 3 Bought furniture and fittings kshs150,000 paying by cheque. cc 5 Sold goods for cash kshs75,000.
- “ 6 Bought goods on credit kshsl 10,000 from Job Luiz.
- “ 10 Paid rent by cash kshs105,000.
- “ 12 Bought stationery kshs207,000, paying in cash.
- “ 18 Goods returned to Lucky M kshs23,000.
- “ 21 Let off part of the premises receiving rent by cheque kshs15,000.
- “ 23 Sold goods on credit to Grace Ebenezer for kshs77,000.
- “ 24 Bought a motor van paying by cheque kshs750,000.
- “ 30 Paid the month's wages by cash kshs171,000.
- “ 31 The proprietor took cash for himself kshs56,000.

(20 Marks)

QUESTION THREE (20 MARKS)

You are to show the journal entries necessary to record the following items:

- 2003 May 1 Bought a motor vehicle on credit from Motors Ltd for £6,790.
 - 2003 May 3 A debt of £34 owing from N Smart was written off as a bad debt.
 - 2003 May 8 Furniture bought by us for £490 was returned to the supplier Wood Offices, as it was unsuitable. Full allowance will be given us.
 - 2003 May 12 we are owed £150 by W Hayes. He is declared bankrupt and we received o £39 in full settlement of the debt.
 - 2003 May 14 we take £45 goods out of the business stock without paying for them.
- 2003 May 28 Some time ago we paid an insurance bill thinking that it was all in respect of the business. We now discover that £76 of the amount paid was in fact insurance of our private house.

2003 May 28 Bought Machinery £980 on credit from Xerox Machines Ltd.

(20 Marks)



QUESTION FOUR (20 MARKS)

A three-column cashbook is to be written up from the following details, balanced off, and the relevant discount accounts in the general ledger shown.

2023

Mar 1 Balances brought forward: Cash £230; Bank £4,756.

2 The following paid their accounts by cheque, in each case deducting 5 percent discounts:
R Burton £140; E Taylor £220; R Harris £800.

4 Paid rent by cheque £120.

6 J Cotton lent us £1,000 paying by cheque.

8 We paid the following accounts by cheque in each case deducting a 2 1/2 per cent cash discount:
N Black £360; P Towers £480; C Rowse £300.

10 Paid motor expenses in cash £44.

12 H Hankins pays his account of £77, by cheque £74, deducting £3 cash discount. cc

15 Paid wages in cash £160.

18 The following paid their accounts by cheque, in each case deducting 5 per cent cash discount:
C Winston £260; R Wilson & Son £340; H Winter £460.

21 Cash withdrawn from the bank £350 for business use.

24 Cash Drawings £120.

25 Paid T Briers his account of £140, by cash £133, having deducted cash discount.

29 Bought fixtures paying by cheque £650. 31 Received commission by cheque £88.

(20 Marks)

QUESTION FIVE (20 MARKS)

- a) Discuss errors that do not affect the trial balance (10 Marks)
- b) Discuss limitations of accounting (5 Marks)
- c) What the qualities of accounting information (5 Marks)

