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UNIVERSITY EXAMINATIONS 2024/2025

FIRST YEAR FIRST SEMESTER EXAMINATION FOR DEGREE OF BACHELOR OF SCIENCE IN APPLIED ACCOUNTING AND BACHELOR OF FINANCE

BFH 3100: FINANCIAL ACCOUNTING AND REPORTING 1

DATE: DECEMBER 2024

TIME: 2 HOURS

INSTRUCTIONS: Answer Question ONE and any other TWO questions.

QUESTION ONE (30 MARKS)

- a) Discuss the main causes of depreciation of fixed assets (5 marks)
- b) The following trial balance was extracted from the books of J. Njogu a sole trader as at 31st December 2023.

	KES	KES
Building at cost	3,000,000	
Motor vehicle at cost	1,600,000	
Provision for depreciation 1 st January 2023		700,000
Discounts allowed and received	20,000	15,600
Purchases	15,769,000	
Sales		20,804,400
Electricity	255,000	
Rates	130,000	
Insurance	105,000	
Returns inward and outward	189,000	149,400
Bad debts	92,000	
Allowance for bad debts 1 st January 2023		72,000
Debtors and creditors	1,920,000	1,485,000



Inventory in trade 1 st January 2023	2,875,600	
Balance at Bank		484,000
Capital	4,131,600	
Wages	1,286,400	
Drawing	<u>600,000</u>	
	<u>27,842,000</u>	<u>27,842,000</u>

The following additional information is relevant.

1. Inventory as at 31st December 2023 amounted to KES 3,072,600.
2. Amounts accrued as at 31st December 2023:
3. Electricity KES 15,000
4. Bonus to employees KES 100,000
5. Insurance prepaid at 31st December 2023 was KES 35,000
6. Depreciation is to be provided as follows:-
20% on motor vehicle on straight line basis 10% on
building on straight line basis

Required:

- a) Trading and profit and loss account for the year ended 31 December 2023. (13 marks)
- b) Statement of financial position as at 31st December 2023 (12 marks)

QUESTION TWO (20 MARKS)

S. K opened a textile business on 1 January 2023. His transactions for the month of January were as follows:-

- January 2 Opened bank account and deposited cash of KES 500,000 and retained KES 100,000 in cash
- 3 Paid KES 30,000 for rent in cash
- 5 Sold clothes for KES 600,000 in cash
- 6 Purchased new office furniture for KES 500,000 by cheque.
- 9 Banked cash KES 300,000.
- 10 Purchased clothes worth KES 300,000 from Karibu Drapers and paid half of the amount by cheque.
- 11 Sold clothes worth KES 200,000 on credit to Bagaya Exporters.
- 12 Hired transport for KES 30,000 and paid in cash
- 13 Bagaya Exporters returned some clothes costing KES 30,000 and were given credit note for the same.
- 16 Received cheque for KES60, 000 from Bagaya Exporters on account.



- 18 Purchased clothes for KES 90,000 on credit from Samuel Omayo.
- 21 Sold clothes worth KES 50,000 on credit to B.C. Boutique.
- 24 Withdrew KES 60,000 from bank for personal use.
- 25 Bought clothes for KES 83,000 and paid by cheque.
- 28 Sold clothes for KES 54,000 to Sunshine Boutique and received a cheque of KES 14,000.
- 30 Paid Karibu Drapers by cheque the full amount due to them less 5% discount.
- 31 Paid salaries KES 50,000 in cash and a water bill KES 7,000 by cheque

Required:

- (a) Three-column cashbook for the month of January 2023. (8 Marks)
- (b) Make relevant entries in the ledger and balance all accounts. (8 marks)
- (c) Extract a trial balance as at 31 January 2023. (4 marks)

QUESTION THREE (20 MARKS)

Accounting practice depends upon the guidance provided by a number of accounting concepts, some of which are to be found in IAS 1 and/or in the conceptual framework of the International Accounting Standards Committee.

Required:

- (a) Define and explain the relevance of the following accounting concepts.
 - Dual Aspect
 - Money measurement
 - Accruals
 - Substance over form
 - Prudence

(20marks)

QUESTION FOUR (20 MARKS)

Unique Sacco acquired and disposed vehicles as follows:

Vehicle	Date Purchased	Cost (KES)	Date Sold	Sale proceeds (KES)
KCA	1/12/2021	1,000,000	1/1/2022	800,000
KCB	1/7/2021	1,200,000	1/10/2022	700,000
KCC	1/1/2021	2,000,000	-	-
KCD	1/9/2021	2,500,000	-	-
KCE	1/1/2021	3,000,000	-	-

- 1. Depreciation is on straight line method at 10% per annum
- 2. Depreciation is charged on a prorata basis.



3. The motor vehicles have no residue value.

Required:

- (a) Motor vehicle account
- (b) Provision for depreciation account
- (c) Disposal account
- (d) Profit and loss extract
- (e) Statement of financial position extract (10 marks)

QUESTION FIVE(20MARKS)

Explain the following terms:

- a) Accruals (2 marks)
- b) Prepayments (2 marks)
- c) Provisions (3 marks)
- d) Reserves (3 marks)

