



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: info@must.ac.ke Email: info@must.ac.ke

University Examinations 2024/2025

FIRST YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF HUMAN RESOURCE MANAGEMENT

BFC 3100: FUNDAMENTALS OF ACCOUNTING

DATE: JANUARY 2025

TIME: 2 HOURS

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

QUESTION ONE (30 MARKS)

- a) The following trial balance is extracted from the books of Munene Ltd a company incorporated in Kenya as at 31/12/2023

	DR	CR
	'000'	'000'
Land (cost)	8000	
Building (cost)	6000	
Sales		10,000
Return inwards	900	

Office equipment cost	12000	
Office computers cost	7600	
capital		21,500
Lon Term Loan		23,000
Purchases	3000	
Stock 1 1 2023	500	
Purchase returns		300
Furniture & fittings	1200	
Salaries & wages	200	
Electricity	400	
Rent	600	
Rental income		1300
Debtors	4500	
Provision for bad debts 1 1 2023		500
Bad debts written off	300	
Discount allowed	400	
Discount received		500
Carriage inwards	500	
Carriage outwards		
Directors fees	600	
Administrative expenses	500	
Plant & machinery (cost)	4000	

Motor vehicle (cost)	1200	
Bank		1000
Cash	800	
Provision for depreciation – office equipment 1/1/2023		500
Debenture interest	1250	
creditors		1500
Bank charges	500	
Sales and distribution expenses	300	
Provision for depreciation (motor vehicles) 1/ 1/ 23		1000
Provision for depreciation (plant vehicles) 1/ 1/ 23		400
Provision for depreciation (office vehicles) 1/ 1/ 23	31,300	31,300

1. Stock on 31/ 12/2023 amounted to sh. 100,000,
2. Provide for bad debts at 10% p.a
3. Prepaid electricity amounted to sh. 100,000
4. Accrued rent amounted to sh. 200,000
5. Depreciation is provided as follows:
 - Office equipment 10% on straight line basis
 - Office computers 10% on straight line basis
 - Plant & machinery 10% on straight line basis
 - Motor vehicles 10% on straight line basis
6. Included in debtors is sh. 100,000 which should be written off.

Required

- (a) Prepare a statement of comprehensive income for the year ended 31/12/2023
- (b) Prepare a statement of financial position as at 31/12/2023. (10 marks)

QUESTION TWO (20 MARKS)

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

- 2023 May 1 Bought a motor vehicle on credit from Motors Ltd for £6,790. • 2023 May 3 A debt of £34 owing from N Smart was written off as a bad debt. • 2023 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.
- 2023 May 12 we are owed £150 by W Hayes. He is declared bankrupt and we received £39 in full settlement of the debt.
- 2023 May 14 we take £45 goods out of the business stock without paying for them.
- 2023 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.
- 2023 May 28 Bought Machinery £980 on credit from Xerox Machines Ltd.

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.
- 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 £7 cash discount.
- 29 Bought fixtures paying by cheque £650. 31 Received commission by cheque £88.

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)