



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2018/2019 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER

**SCHOOL OF BUSINESS AND ECONOMICS
CERTIFICATE IN BUSINESS MANAGEMENT**

COURSE CODE: CBM 05

COURSE TITLE : BOOK KEEPING

DATE : 24TH APRIL 2019

TIME : 0830 - 1030 HRS

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **THREE** Questions

This paper consists of 4 printed pages. Please turn over.

QUESTION ONE

a) The following information is available from the books of Mrs. Kimani, a wholesaler, as on the date of the last transaction year 2016:

- April 1st started business with 45,000/- in cash
- April 5th she received a loan by a cheque of 20,000/- from Mr. Simon
- April 9th she bought a machine and paid 3,000/- by a cheque
- April 13th she bought goods from Mr. David at 50,000/-
- April 17th bought goods for cash 8,000/-
- April 21st sold goods for 10,000/-
- April 25th paid general expenses by cheque 900/-
- April 28th she cashed a cheque for personal use 1,000/-
- On 30th introduced additional cash into business 7,000/-. The same date, paid wages 1,500/- in cash

Required:-

Prepare a trial balance.

(7marks)

b) Explain briefly what you understand about the following accounting principles:-

- i. The “going concern” concept. **(2marks)**
- ii. The “prudence” concept. **(2marks)**
- iii. The “materiality” concept. **(2marks)**
- iv. Separate entity **(2marks)**
- v. Duality concept . **(2marks)**

c) Mr. Monene’s cash book showed a debit balance of 104,800/- on 31st Dec 2012, on the same date his bank statement showed a credit balance of 38,000/- . On investigations the following difference were discovered:-

- i. Three payments of 20,000/- each made by the bank as per standing order to his landlord have not been recorded in the cash book.
- ii. Dividends amounting to 21,000/- were received and credited by the bank but no entry was made in the cash book.
- iii. Ledger fees of 18,000/- and book charges of 2,400/- debited by the bank had not been entered in the cash book.
- iv. Payments of cheque amounting to 493,800/- to creditors made during December 2000 were not presented to the bank for payment.

- v. Cheque totaling 30,600/- were returned by the bank marked “refer drawer” had not been entered in the cash book.

Required:-

- I. Prepare a corrected cash book (5marks)
II. Prepare bank reconciliation statement (3marks)

Question two

- a) Outline **FIVE** causes of difference in the balances on the cash book bank column and bank statement (5marks)

b) The following information is available from the books of Mr. Cook who is a shop owner in Narok Town. The year 2016 October 1st started business with 25,000/-. The following transactions took place during the month:-

- October 2nd bought goods by a cheque 3,900/-
- October 3rd bought goods from H. Marshall 5,000/-
- October 4th sold goods to AB& Co 2,600/-
- October 5th cashed a cheque for office use 2,000/-
- October 6th bought goods from XY& Co 7,400/-
- October 7th sold goods to Mr. Kariuki 3,700/-
- October 8th paid expenses in cash 300/-
- October 10th sold goods for cash 2,500/-
- October 11th paid to H.Marshall by a cheque the amount due less 5% discount
- October 12th received from AB& Co a cheque of the amount due less 4%
- October 13th paid expenses in cash 250/-
- October 17th paid to XY& Co by a Cheque by deducting cash discount of 3%
- October 20th received cash from Mr. Kariuki by allowing discount of 2½%
- October 30th paid wages in cash 1,000/-
- October 30th banked cash keeping a balance of cash in hand 500/-

Required:-

Prepare a Three Column Cash Book as at 30th October 2016 (10marks)

Question three

- a) What is a petty cash book (1 mark)
b) Explain any **FOUR** reasons for preparing a petty cash book in a business (4 marks)

- c) Explain FIVE importance of accounting information (5 marks)
 d) Identify and explain any **FOUR** users of accounting information (5 marks)

Question four

- a) Highlight **FIVE** reasons or preparing a trial balance (5 marks)

- b) Given the following information for Ulis small business determine his capital

(5 marks)

Cash in hand	108,000
Bank overdraft	20,000
Bank loan	80,000
Stock	280,000
Furniture	60,000
Debtors	78,000
Creditors	130,000

- c) Explain the various classifications of accounts (5 marks)

Question five

- a) The balance in the cash book of Mr Kimia as at 30th June 2007 was shs 50,000 (Dr) . On the same date the balance as per the bank statement was shs 71,000 (cr).

On examining the bank statement and the cash book the following differences were discovered.

- a) Cheques totaling to shs 45,000 issued did not appear in the bank statement
 b) Bank charges for the month amounted to shs 1,500
 c) A standing order to CIC insurance company of shs 2,500 had been paid by the bank but not entered in the cash book.
 d) Dividend income amounting to shs 10,000 collected by the bank did not appear in the cash book
 e) Cheques totaling to shs 30,000 deposited on the last day of the month were credited by the bank on 3rd July 2007.

Required prepare

- i) Updated cash book

[9 marks]

- ii) A bank reconciliation statement

[6 marks]

Question six

On 1st July 2010 Boss started a business with capital sh.165,000 in cash and sh.140,000. in the bank. The following transactions took place during the month of July.

July 2: rented shop premises by paying sh.12,000 cash for the month.

July 3: bought stock of goods for sh.110,000 cash.

July 5: took cash to the bank sh.18,000.

July 6: cash sales sh.15,000.

July 8: credit sales to Kate sh.12,000.

July 12: bought stock of goods by cheque sh.14,000.

July 13: cash sales sh.13,000.

July 18: credit purchases from Juma shs.17,000.

July 20: received a cheque from Kate shs.11,000.

July 22: paid Juma his account in cash shs.16,800 having deducted cash discount of shs.1200.

July 25: one of the customers who had bought goods for cash returned some goods worth shs.1200 and a cash refund were made.

July 30: credit purchases from Juma shs.14,000.

July 21: returned goods to Juma shs.11,500.

July 31: transferred all the money to the bank except 5,000.

Required

a) Prepare the cash book to reflect these transactions. **(10 marks)**

b) Explain any five documents used in accounting **(5 marks)**

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