



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS 2018/2019 ACADEMIC YEAR FIRST YEAR FIRST SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DBM 002

**COURSE TITLE: INTRODUCTION TO
FINANCIAL ACCOUNTING**

DATE: 24TH APRIL 2019

TIME: 14.30-.16.30HRS

INSTRUCTIONS TO CANDIDATES

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

*This paper consists of **Two** printed pages*

QUESTION ONE

- a) Explain the term Accounting and state the four main categories in which it is split [5 marks]
- b) Describe five general purposes of accounting [10 marks]
- c) List five qualities of good accounting information [5 marks]
- d) Explain the following concept as used in accounting.
- I. Going concern. [2 marks]
 - II. Time concept. [2 marks]
 - III. Business entity concept [2 marks]

QUESTION TWO

- a) Define the word journal and state five types of them [5 marks]
- b) Given the following details. Enter them in to their various journal and post them in their relevant ledger accounts. [10 marks]
- Year 2006
- May 2nd credit sales to E.kamaushs 12,800
- 2nd credit purchase to H opotishs 9,600
- 4th credit sales J. Omondishs 11,700
- 7thcredit sales to N. kimanzishs 20,700
- 8th credit sale to P. Aminoshs 4,900
- 12thcredit purchase from M kibakishs 7,200
- 13thcredit sales to E. Kamaushs 42,000
- 13th Credit purchase from G. njengashs 9,700
- 15thReturn inwards from J. hadijashs 200
- 16th return outward from K. nyongesashs 1,200
- 20th credit purchase from H. Opotishs 11,200
- 21st credit purchase from E.Joeshs 4,900
- 23rd credit purchase from O. mbiyushs 4,500
- 27th bought motor vehicle cash shs 20,000
- 30th sales to E. Williams shs 10,600

QUESTION THREE

- a) Define the word cashbook **[1 mark]**
- b) State the two types of cashbook used in recording financial information and clearly outline their differences **[4 marks]**
- c) Enter the following transaction in a three column cashbook
- I. Balance brought forward cash sh 4,700 and bank cash shs 17,000
 - II. Cash sales shs 20,000(8%)
 - III. Cash sales shs 42,000
 - IV. Cash purchase shs 18,000 (discount 10%)
 - V. Sales paid for by cheque of shs 40,000 after deducting 20% discount
 - VI. Paid shs 50,000 by cheque after deducting 20% discount
 - VII. Purchase by cheques shs 12,000

QUESTION FOUR

On 31st Dec 2006 the cashbook of H. Njeri showed balance at the bank of shs 8,100. The bank statement however showed a balance of shs 6,700. Going through the bank statement she found out that

- a) A cheque received from Taita Ltd on 1st Dec for shs 600 and entered into the cashbook did not appear on the bank statement.
- b) A cheque paid to E. Kamarashs 700 on 25th had not been presented.
- c) A cheque received from N. Njiru on 24th Dec shs 600 and entered into the cashbook was returned dishonored no entry in this regard was recorded in the cashbook.
- d) Bank charges amounting to shs 100 had not been entered into the cashbook
- e) The bank received directly shs 1,000 from E, A, B, C as dividend on 18th Dec on behalf of H. NJERI.
- f) A cheque payment of shs 2000 to Olivik had been entered in error shs 200 in the cashbook

Required

- I. State and briefly explain two purposes of a bank reconciliation statement **[3marks]**
- II. Make the necessary entries to update the cashbook **[5marks]**

- III. Prepare a book reconciliation statement for H. Njeri for month of December 2006 [7 marks]

QUESTION FIVE

- a) Record the following transaction for the month of Nov for M.S. suppliers balance off all the accounts and extract a trial balance as at 30th Nov 2006 [12marks]

Year 2006

Nov 1st started business with shs 175,000 in cash.

2nd put shs 140,000 of the cash in the bank account.

3rd Bought goods for cash worth shs7,500.

4th Bought stationery on credit shs 17,000 from Nzomo.

5th Bought good on credit from Isaac shs 18,000, Philip shs 24,500, timothy ,Shs 5,500 and Mathew shs 17,000.

6th Paid rent by cheque 2,750.

7th Sold goods on credit to Njerishs4,500, Onyango shs7,500, muivu shs 9,500, Tingashs 8,000.

8th Bought furniture from Irungu suppliers on credit shs 24,000.

12th Paid salaries and wages shs 6,000 each.

14th Returned goods timothy shs 3,000 Philip shs 2000.

15th Bought an old motor van by chequeshs 3,500.

16th Received loan from Henry by chequeshs 30,000.

17th Goods refunded to us by Njerishs 1,000, muivushs 2,000

18th cash sales shs 450

21st Sold goods on credit to Paulin shs 5,750, Onyango shs 50,100, Tinga shs 4,500.

24th We paid the following by cheque Philips shs2,250, Timothy shs 2,500

25th received a cheque from Paulin shs 5,750, Onyango shs 12,500

28th Received another loan from Henry shs 10,000

30th Received shs 25,000 from Tinga in cash

- b) Explain two errors that occurs while entering business transactions but do not affect trial balance [3 marks]

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