



# **MAASAI MARA UNIVERSITY**

## **REGULAR UNIVERSITY EXAMINATIONS 2018/2019 ACADEMIC YEAR FIRST YEAR SECOND SEMESTER**

### **SCHOOL OF BUSINESS AND ECONOMICS DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DBM 008**

**COURSE TITLE: FINANCIAL ACCOUNTING I**

**DATE: 21<sup>ST</sup> AUGUST 2019**

**TIME 0830 – 1030HRS**

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#### **INSTRUCTIONS TO CANDIDATES**

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

*This paper consists of **FOUR** printed pages. Please turn over.*

## QUESTION 1

a) Describe five characteristics of a good accounting information  
**(10marks)**

b) KK LTD received their bank statement for the month of May 2018. It reflected a credit balance of ksh 9,290,000. However, the cash book balance as at 30<sup>th</sup> May 2018 indicated a higher amount by ksh 4,530,000.

The company accountant investigated the matter and discovered the following discrepancies:

- I. Cash amounting to 1,704,000 though entered in the cash book as having been banked had been embezzled by the cashier.
- II. The bank had erroneously credited KK ltd account with an amount of 2,510,000
- III. Direct deposit by a debtor amounted to 13,080,000. These deposit were made through electronic fund transfer.
- IV. Uncredited cheque as at 30<sup>th</sup> may 2018 amounted to 9,426,000
- V. A standing order of 1,770,000 for goods purchased on hire purchase had been effected by the bank
- VI. Cheque issued to supplier but not yet presented to the bank as at 31<sup>st</sup> may 2018 amounted to 2,640,000.
- VII. Bank charges amounting to 484,000 had not been entered in the cash book
- VIII. A cheque from a debtor for an amount of 1,446,000 was returned by the bank stamped "Account closed".
- IX. A forged cheque in favour of XYZ LTD was presented to the bank. The cheque which amounted to 2,712,000 was paid by the bank.

Required

1) Adjusted cash book as at 30<sup>th</sup> May 2018 **(8marks)**

2) Bank reconciliation statement as at 30<sup>th</sup> May 2018 **(7marks)**

## QUESTION TWO

- a) Name and explain five errors which don't affect the trial balance **(5 marks)**
- b) The audit of the books of SK kamau for the year ending 31<sup>st</sup> December 2018 revealed the following errors
- A machine purchased for 1,200,000 had been debited to the purchases account
  - Goods purchased from kanini whole seller for 1,500,000 were credited to the account of kanene whole sellers
  - An invoice from Bepo Agrovvet for 2,700,000 was omitted
  - Goods sold to masai mara university for 1,750,000 were entered in the sales daybook as 1,570,000.
  - The salary and wages account was over added by 350,000 and rent received account was also over added by 350,000

Show by means of journal entry how the above errors should be corrected in the books of SK Kamau **(10 marks)**

## QUESTION THREE

- a) Describe four methods used in the computation of depreciation of an asset **(8marks)**
- b) Maasai Mara university motor purchased bus for 4,000,000 on 1<sup>st</sup> January 2016, depreciation was to be provided at the rate of 25% per annum on reducing balance method. Show the entries as at 31<sup>st</sup> December 2016,2017,2018,2019 on the following accounts.**(7 marks)**
- Motor vehicle account
  - Provision for depreciation account
  - Profit and loss account

## QUESTION FOUR

- a) Outline five contents of a partnership deed (5 marks)
- b) The following is a trial balance of Jubilee Ltd company as at 31<sup>st</sup> December 2018, use it to prepare the statement of comprehensive income of the same period (10 marks)

	<b>Ksh"000"</b>	<b>ksh "000"</b>
Purchases	72000	
Stock(1 <sup>st</sup> jan)	12,000	
Charges on sales	3,000	
Discount allowed	800	
Interest received		260
Sales		130,000
Returns outwards		1,500
Bank overdraft		112,000
Rent	4,960	
Sundry debtor	1,800	
Capital		123,100
Sundry creditors		3,300
Cash at hand	3,000	
Salaries	15,600	
Land	13,000	
Furniture & fitting	6,200	
Returns inwards	10,000	
Drawings	11,000	
Motor vehicle	<u>117,000</u>	
	<b><u>270,360</u></b>	<b><u>270,360</u></b>

## QUESTION FIVE

Distinguish between receipts and payment account and income and expenditure account (15marks)

## QUESTION SIX

Discuss the main features of manufacturing account (15marks)

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