



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATION
2023/2024 ACADEMIC YEAR
FIRST YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS
BACHELORS OF ECONOMIC
STATISTICS/COMMERCE/ EDUCATION
ARTS**

**COURSE CODE: BCM 1103-1
COURSE TITLE: FOUNDATIONS OF
ACCOUNTING I**

DATE: 5/2/2024

TIME: 0830-1030 HRS

INSTRUCTIONS TO CANDIDATES:

Answers question one (Compulsory) and any other Two questions

QUESTION 1

a) Differentiate between the following terms as used in accounting.

- i. Debit entry and credit entry **(1mks)**
- ii. Return inwards and return outwards **(1mks)**
- iii. An asset account and liability account **(1mks)**
- iv. An expense account and revenue account. **(1mks)**
- v. A trial balance and a balance sheet. **(1mks)**

b) The following is a trial balance extracted from the books of a sole trader David on 31st December 2021.

	DR	CR
Stock 1.1.2021	50,000.00	
Free hold premises	240,000.00	
Bill receivable	30,000.00	
Purchases	280,000.00	
Salaries and Wages	35,000.00	
Sales		520,000.00
Fixtures and Fittings	25,000.00	
Discount allowed	7,500.00	
Discount received		4,500.00
Plant and Machinery	140,000.00	
Rates	5,600.00	
Advertising	10,400.00	
Insurance	3,800.00	
Provision for bad debts b/f		1,800.00
General expenses	7,200.00	
Sundry debtors	60,000.00	
Bills payable		15,000.00
Sundry creditors		43,000.00
Cash in hand	2,400.00	
Bank overdraft		18,600.00
Drawings	6,000.00	
Capital account		300,000.00
	902,900.00	902,900.00

The following additional information is provided:

- (a) Provide for depreciation on plant and machinery at 10% p.a and fixtures and fittings at 15% p.a on cost.
- (b) Increase the provisions for bad debts to an amount equal to 4% of sundry debtors

- (c) Prepaid insurance amount to ksh.500
- (d) Rates accrued is ksh.400
- (e) Closing stock is ksh.60,000
- (f) During the year David took goods worth ksh.2000

Required: Prepare Trading, profit and loss account as for the period ended 31.12.202. **(15 marks)**

QUESTION TWO

Millennium Retailers, is a small business owned by Mary. During the year to 31 December 2022 the following transactions occurred:

- a) Mary withdrew a total of Sh.10,000 in cash
- b) Stock in trade was bought, all on credit, for Sh.34,000
- c) Sales were made totaling 60,000 of stock in trade which had cost Sh.37,000. Of these sales Sh.51,000, were on credit and Sh.9,000 for cash.
- d) A total of Sh.16,000 was withdrawn from the bank in cash to the cash till.
- e) Electricity for the year paid by cheque totaled Sh.2,000
- f) Rates for the year paid by cheque totaled Sh.1,000
- g) Wages for the year all paid cash totaled Sh.10,000
- h) Sundry expenses all paid in cash totaled Sh.2,000
- i) Creditors were paid a total of Sh.36,000 all by cheque
- j) Debtors paid a total of Sh.54,000 all in cheques.
- k) The bank charged interest on the loan deducting Sh.3,000

Required: Enter the above transactions in appropriate Ledger accounts. **(15mks)**

QUESTION THREE

A bookkeeper extracted a trial balance on 31 December 2021 that failed to agree by Sh.3,300 a shortage on the credit side of the trial balance. A suspense account was opened for the difference.

In January 2022 the following errors made in 2022 were found:

- i. Sales daybook had been under cast by Sh.1,000.
- ii. Sales of Sh.2, 500 to J Church had been debited in error to J Chane account.
- iii. Rent account had been under-cast by Sh.700.
- iv. Discounts received account had been under cast by Sh.3, 000.

- v. The sale of a motor vehicle at book value had been credited in error to Sales account Sh.3, 600.

You are required to:

- a) Show the journal entries necessary to correct the errors. **(10mks)**
b) Draw up the suspense account after the errors described have been corrected. **(5mks)**

QUESTION FOUR

Mwambi, a sole trader received his bank statement for the month of June 2021. At that date the bank balance was. Sh.706,500 whereas his cash book balance was Sh.2,366,500. His accountant investigated the matter and discovered the following discrepancies:

1. Bank charges of Sh.3, 000 had not been entered in the cashbook.
2. Cheques drawn by Mwambi totaling Sh.22,500 had not yet been presented to the bank
3. He had not entered receipts of Sh.26,500 in his cashbook.
4. The bank had not credited Mr. Mwambi with receipts of Sh.98, 500 paid into the bank on 30 June 2021.
5. Standing order payments amounting to Sh.62, 000 had not been entered into the cashbook,
6. In the cash book Mwambi had entered a payment' of Sh.74, 900 as Sh.79,400.
7. A cheque for Sh. 15,000 from a debtor had been returned by the bank marked "refer to drawer" but had not been written back into the cashbook.
8. Mwambi had brought forward the opening cash balance of Sh.329,250 as a debit balance instead of a credit balance.
9. An old cheque payment amounting to 44, 000 had been written back in the cashbook but the bank had already honored it.
10. Some of Mwambi's customers had agreed to settle their debts by paying directly into his bank account. Unfortunately, the bank had credited some deposits amounting to Sh.832, 500 to another customer's account. However, acting on information from his customers, Mwambi had actually entered the expected

receipts from the debtors in his cashbook.

Required:

i).Mwambi's adjusted cash book balance as at 30 June2021.

(8marks)

ii).A bank reconciliation statement as at 30 June2021.

(7marks)

/END/