



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS  
2017/18 ACADEMIC YEAR  
FIRST YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS  
BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BCM 1103**

**COURSE TITLE: FOUNDATIONS OF ACCOUNTING 1**

**DATE: 2<sup>ND</sup> MAY, 2018**

**TIME: 1100 - 1300 HRS**

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**INSTRUCTIONS TO CANDIDATES**

1. Answer Question **ONE** and any other **THREE** questions
2. All Examination Rules Apply

*This paper consists of 6 printed pages. Please turn over.*

## Question One

- a) Discuss five principal qualities of financial information **(5 marks)**
- b) Name and explain any four types of errors which are not disclosed by the trial balance. **(4 marks)**
- c) Konya is a sole trader who has been trading for some time. On 30<sup>th</sup> June 2015 the following balances were extracted from his books of accounts.

Sales	47,600,000
Purchases	22,850,000
Office expenses	1,90,000
Insurance	700,000
Wages	7,900,000
Rates	2,800,000
Heating and Lighting	1,200,000
Telephone	650,000
Discounts allowed	1,150,000
Opening stock	500,000
Returns inwards	200,000
Returns outwards	150,000
Premises	40,000,000
Plant and Machinery	5,000,000
Motor Vehicles	12,000,000
Debtors	12,500,000
Bank balance	7,800,000
Creditors	3,400,000
Loan-long term loan	10,000,000
Capital	60,000,000
Drawings for the year	4,000,000
Closing stock	550,000

**Required:** Prepare a trial balance from the above list of balances. **(8 marks)**

d) The following information relates to Kabura's business in the month of July.

- i) 1<sup>st</sup> Credit purchases from: Hill 380,000; Norman 50,000; Senior 10,600.
- ii) 3<sup>rd</sup> Credit sales to: Rugby 51,000; Phillips 24,600; Thompson 35,600.
- iii) 5<sup>th</sup> Credit purchases from: R Morton 20,000; Cook 18,000; Edwards 41,000; Davies 6,600.
- iv) 8<sup>th</sup> Credit sales to: Green 30,700; George 25,000; Ferguson 18,500.
- v) 12<sup>th</sup> Returns outwards to: Norman 3,000; Senior 1,600.
- vi) 14<sup>th</sup> Returns inwards from: Phillips 1,800; Thompson 2,200.
- vii) 20<sup>th</sup> Credit sales to: Phillips 18,800; Powell 31,000; Lee 42,000.
- viii) 24<sup>th</sup> Credit purchases from: Ferguson 55,000; Ennevor 90,000.
- ix) 31<sup>st</sup> Returns inwards from: Phillips 2,700; Rugby 3,000.
- x) 31<sup>st</sup> Returns outwards to: Cook 1,300; Davies 1,100.

**Required:** prepare;

- i. Purchases journal. **(4marks)**
- ii. Sales journal **(4 marks)**

## Question Two

a) Explain the term "bank reconciliation" and state the purposes for its preparation.

**(4marks)**

b) Kidero, a sole trader received his bank statement for the month of June 2016. 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 Kidero 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. Kidero with receipts of Sh.98, 500 paid into the bank on 30 June 2016.
5. Standing order payments amounting to Sh.62, 000 had not been entered into the cashbook.
6. In the cashbook Kidero 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. Kidero 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 Sh.44, 000 had been written back in the cashbook but the bank had already honored it.
10. Some of Kidero’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 Kidero had actually entered the expected receipts from the debtors in his cashbook.

**Required:**

- i. A statement showing Kidero’s adjusted cashbook balance as at 30 June 2016. **(7 marks)**
- ii. A bank reconciliation statement as at 30 June 2016. **(4marks)**

**Question Three**

Define the following accounting concepts and for each explain their implication in the preparation of financial statements.

- i. The Going concern concept **(3 marks)**
- ii. Business entity concept **(3 marks)**
- iii. Materiality **(3marks)**
- iv. The accrual concept **(3 mark)**
- v. prudence **(3 marks)**

**Question Four**

- a) Describe the purposes for which control accounts are prepared

**(4 marks)**

- b) The balances and transactions affecting the control accounts of Waiguru Ltd. for the month of November 2015 are listed below: -

Balances on 1 November 2015:

Sales ledger	9,123,000	(debit)
	211,000	(credit)
Purchases ledger	4,490,000	(credit)
	88,000	(debit)

Transactions during November  
2015:

Purchases on credit	18,135,000	
Allowances from suppliers	629,000	
Receipts from customers by cheques	27,370,000	
Sale on credit	36,755,000	
Discount received	1,105,000	
Payments to creditors by cheques	15,413,000	
Contra settlements	3,046,000	
Bills of exchange receivable	6,506,000	
Allowances to customers	1,720,000	
Customers cheques dishonored	489,000	
Cash received from credit customers	4,201,000	
Refunds to customers for overpayments	53,000	
Discounts allowed	732,000	
Balances on 30 November 2015		
Sales ledger	136,000	(credit)
Purchases ledger	67,000	(debit)

**Required:**

- i. The sales ledger control accounts for the month of November  
2015 **(5 marks)**
- ii. Purchases ledger control accounts for the month of November  
2015 **(6 marks)**

### Question five

The following trial balance has been extracted from the ledger of Mr. Murkomen, a sole trader on 31<sup>st</sup> may 2016.

	``000''	``000''
Sales		138,078
Purchases	82,350	
Carriage	5,144	
Drawings	7,800	
Rent, rates and insurance	6,622	
Postage and stationery	3,001	
Advertising	<u>1,330</u>	
Salaries and wages	26,420	
Bad debts	877	
Provision for bad debts		130
Debtors	12,120	
Creditors		6,471
Cash in hand	177	
Cash at bank	1,002	
Stock at at 1 June 2015	11,927	
Equipment ( cost)	58,000	
Accumulated depreciation		<u>19,000</u>
Capital	<u>          </u>	<u>53,091</u>
	<u>216,770</u>	<u>216,770</u>

Additional information;

- i. Rent is accrued by 210,000.
- ii. Rates have been prepaid by 880,000.
- iii. 2,211,000 of carriage represents carriage inwards on purchases.
- iv. Equipment is to be depreciated at 15% per annum using the straight line method.
- v. The provision for bad debts to be increased by 40,000.
- vi. Stock at the close of business has been valued at 13,551,000.

**Required:** Prepare

a) Statement of Financial performance for the year ended 31 May 2016.

**(8 marks)**

b) Statement Financial position as at 31<sup>st</sup> May 2016

**(7 marks)**

**END//**