



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

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

COURSE CODE: DBM 08

COURSE TITLE: FINANCIAL ACCOUNTING 1

DATE : 12TH OCTOBER, 2021

TIME : 2:30-4:30

INSTRUCTIONS TO CANDIDATES

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

This paper consists of 2 printed pages. Please turn over.

Question one

a) Distinguish between a private company and a public company [6 marks]

b) Explain any four the causes of depreciation [4 marks]

a) Poesha Limited keeps sales and purchases control accounts in the General Ledger. The transactions for the month ended 30 April 2019 were as follows:

		Sh
Credit balances on 1 April 2019	-Sales ledger	154,000
	-Purchases ledger	569,000
Debit balances on 1 April 2019	-Sales ledger	956,000
	-Purchases ledger	196,000
Credit balances on 30 April 2019	-Sales ledger	178,000
Debit balances on 30 April 2019	Purchases ledger	189,000
Credit purchases		2,450,000
Credit sales		4,563,000
Cheques received from debtors		3,140,000
Cash received from debtors		1,367,000
Cheque payments to creditors		1,994,000
Cash payments to creditors		352,000
Bad debts written off		68,000
Discounts received		104,000
Discounts allowed		169,000
Contra entry to sales ledger from purchases ledger		234,000
Refunds to debtors		62,000
Returns outwards		138,000
Returns inwards		231,000

Required:

Sales ledger and purchases ledger control accounts for the month ended 30 April 2019.

(15 marks)

Question Two

a) State and briefly explain any three distinguishing features between (i) a receipts and payments account and (ii) an income and expenditure account. (5 marks)

b) The accountant of Mamba Sports Club has extracted the following information from the books of account for the year ended 31 March 2019.

Receipts		Payments	
	Sh		Sh
Balance brought forward	288,000	Salaries and wages	254,000
Subscriptions		New equipment	565,000
Year: 1999/2000	249,000	Repairs and maintenance	124,000
2000/2001	2,050,000	Office expenses	415,000
2001/2002	194,000	Printing and stationery	168,000
Dinner dance	723,000	Purchase of beverages	497,000

Beverage sales	657,000	Dinner dance expenses	315,000
Investments income	400,000	Refund of subscriptions	45,000
		Sports prizes	25,000
		Transport	248,000
		Investments	1,500,000
	_____	Balance carried forward	<u>405,000</u>
	<u>4,561,000</u>		<u>4,561,000</u>

Balances as at	31 March 2018	31 March 2019
Furniture and fittings (net)	240,000	-
Equipment (net)	690,000	-
Investment at cost	3,500,000	-
Subscriptions in arrears	300,000	375,000
Salaries accrued	68,000	72,000
Stock of beverages	162,000	184,000
Subscriptions in advance	85,000	-

Additional information:

1. Subscriptions in arrears are written-off after twelve months.
2. Depreciation is provided for on reducing balance method at 10% and 20% per annum on furniture and fittings and equipment respectively.
3. Investments, which had cost Sh. 500,000, were sold on 30 March 2001 for Sh. 625,000. No entries have been made in the books in this respect.

Required:

- (a) Income and expenditure account for the year ended 31 March 2019. **(6 marks)**
- (b) Balance sheet as at 31 March 2019. **(4 marks)**

Question Four

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. **(7 marks)**
- b) Discuss any 5 factors that will cause the difference in the cash book and bank statement **(8 marks)**

Question Five

- a) Explain any five limitations of accounting **(5 marks)**

- b) The bank statement of Davis enterprises showed a credit balance of shs 14,400 on September 2007, while the cash book balance showed a debit balance of shs 8,535 on the same date. On further examination of the records the following was revealed.
 - a) A cheque of shs 10,200 which was dated 28th September was presented for payment on 6th October
 - b) Short banking amounted to 525 while over bankings amounted to 300
 - c) Loan repayment by way of a standing order for shs 3,600 paid by the bank on 30th September had not been entered in the cash book
 - d) The debit side of the cash book had been overcastted by shs 600
 - e) On 29th September cheques and cash totaling to shs 1,620 had been banked but the amount was not recorded by the bank until 2nd October
 - f) Dishonoured cheques totaling to shs 8,850 had been recorded on the bank statement on 26th September but they were not advised to the enterprise until 9th October.
 - g) A banking of shs 12,000 had been entered as sh 1,200 in the cash book
 - h) The bank had charged commission of sh 240 but it had failed to advise the company.

Required

- i) Show the corrected cash book **(7 marks)**
- ii) Reconcile the bank statement balances to the corrected cash book balance. **(3 marks)**

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