MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR
YEAR TWO SEMESTER ONE

DIPLOMA IN BUSINESS MANAGEMENT
SCHOOL OF BUSINESS AND ECONOMICS

COURSE CODE: DBM 002
COURSE TITLE: PRINCIPLES OF ACCOUNTING

DATE: 25TH JUNE 2021   **TIME: 1100 – 1300 HRS**

INSTRUCTIONS TO CANDIDATES

1. Answer question **ONE** and any other **THREE** questions

2. Do not forget to write your registration number

This paper consists of 4 printed pages. Please turn over

QUESTION ONE

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

b) S. Osoro started a business at April 1 2021 with capital of ksh 500,000 in cash and ksh 100,000 in his bank account. The following transaction took place during that month.

April 1 He deposited ksh 450,000 in his bank account
April 2 He sold goods to Mr Mbugua for cash 100,000
April 3 He bought pickup and paid by cheque ksh 200,000
April 5 He bought goods for ksh 50,000 and paid by cheque from Okari ltd
April 7 He sold good for cash ksh 200,000 to Ngure ltd
April 10 He paid salaries by cash ksh 50,000
April 15 He sold goods to Uhuru trader and received a cheque of ksh 35,000
April 16 He paid cash into the bank ksh 200,000
April 20 He cashed cheque for office use ksh 50,000
April 30 He paid office expenses by cash ksh 80,000

Required: Enter the above transaction in a cash book and open the necessary ledgers.   **(20 marks)**

QUESTION TWO

a) Name and explain five uses of journals   **(5 marks)**

b) The following transactions are in respect of credit purchases and sales as recorded by Mr Mbogo a maize dealer in Narok town during the month of April 2021
April 1 He bought 125 bags @ksh 3200 each from miwani ltd
April 2 Sold 80 bags @ 5300 each to Bantu brothers
April 3 He bought furniture ksh 7,000 from Digo furnitures
April 5 He bought returned 20bags at the original cost to miwani ltd
April 7 He bought 30bags @ ksh3000 from Ngure ltd
April 10 Sold a delivery van for ksh 500,000 to kinyui girls' school
April 15 He sold 15bags @ksh 5000 each to Wausi ltd
April 16 He accepted 25bags from Bantu brother at their original cost
April 20 He bought 35bags @ksh 3100 each from Ngure ltd
April 30 He sold 100bags @5500 each to Wausi ltd
Show by means of journal entry how the above transactions will be recorded.   **(15 marks)**

QUESTION THREE

a) Discuss five methods used in the computation of depreciation of asset.
(10marks)

b) Masai Mara University purchased bus for 4,000,000 on 1st January 2016, depreciation was to be provided at the rate of 25% per annum on reducing balance method. Show the entries as at 31st December 2016,2017,2018,2019 on the following accounts**.** **(10 marks)**
- Motor vehicle account
- Profit and loss account

QUESTION FOUR

a) Outline five reasons why bank statement show a different balance from your cash book balance. **(10 marks)**

b) The following is a trial balance of Bepo enterprise as at 31st December 2020,use it to prepare the statement of comprehensive income of the same period. **(10 marks)**

	Ksh"000"	ksh "000"
Purchases	72000	
Stock (1st 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	117,000	
	270,360	270,360

QUESTION FIVE

a) By use of relevant examples distinguish between revenue and capital expenditure. **(10marks)**

b) The petty cashier of Tana ltd had a cash balance of ksh 8,750 on 1 June 2019. On the same date, the main cashier reimbursed the petty cashier an amount to restore the monthly cash float to ksh 60,000.During the month, the petty cashier made the following payment:

October 3 Motor vehicle fuel   9,500
     3 Postage stamps   2,500
     4 Cleaner wages   10,500
     5 Advertisement   7,500
     8 Stationeries   20,000
     10 Entertainment   15,000
     12 Postage   25,000

Balance the petty cash book and show the amount needed to restore the imprest. **(5marks)**

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