MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS
2023/2024 ACADEMIC YEAR
FIRST YEAR FIRST SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS
DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DBM 02

COURSE TITLE:PRINCIPLES OF ACCOUNTING I

DATE: 30/1/2024   TIME: 1100-1300 HRS

INSTRUCTIONS TO CANDIDATES

1. Answer Question **ONE** and any other **TWO** questions

QUESTION ONE (COMPULSORY) (30 MARKS)

a) The following information relates to **Firebeb Mototraders** for the month of June2023.

1st June, wrote a personal cheque and deposited into the business bank account Sh700,000.

Withdrew Sh220, 000 from the bank and put it into the cash till.
2nd June, Purchased goods by cheque Sh80,000
3rd June, Bought furniture for cash Sh20,000
3rd June, Bought equipment on credit Sh100,000
4th June, Sold goods for cash Sh120,000
5th June, bought goods and paid by cheque Sh.220,000
6th June, bought a motor van paying by cheque Sh.210,000
10th June, Obtain loan from the bank Sh.500,000
12th June, Sold goods on credit Sh80,000
16th June, sold goods payment made by cheque Sh.120,000
16th June, Received a cheque from a debtor Sh.80,000
30th June, Took Sh20,000 from the cash till personal use.

Required:

i   Prepare a **Two Column Cash Book** for **Firebeb Traders** for the month ended on 31st June 2023.   **(12marks)**

ii   Balance it off and show the posting of the balances brought forward for the next month.   **(3marks)**

b) Discuss **five** distinct users of accounting information for Firebeb Traders. Explain how each user benefits from the accounting information generated by the company. **(10 marks)**

c) Explain any **five** key Generally Accepted Accounting Principles (GAAP) the chief accountant of Fire Traders must adhere to when preparing year-end financial statements.   **(5 marks)**

QUESTION TWO (15 MARKS)

(a) The following information relates to **Baba Lao Traders** for the month of January 2023

Jan1st: Sold goods to Wako on credit of ksh 3000,
      2nd: Sold to the following debtors on credit;
      Soipanksh 5000,
      Michaelksh 2000,
      Wakoksh 4000
      5th: sold goods on credit to Mtatii of ksh500

10th: Sold goods to the following on credit:
Johnksh1000,
Simonksh500, s
Soipanksh 1000
12th: Sold goods on credit to Osongo of ksh4000

Required:
i Prepare the necessary journals and post the provided transactions for Baba Lao Traders in January 2023.**(6 marks)**
ii Post the respective transaction amounts to their corresponding individual Ledger Accounts. **(4 marks)**

(b) Explain the concept of source documents in accounting and elucidate why they hold significance in the accounting process. **(5 marks)**

QUESTION THREE (15 MARKS)

Afro Traders' Trial Balance as of December 31, 2022, had the following data:

Account	Debit (Ksh)	Credit (Ksh)
Sales	2,000,000	
Purchases	700,000	
Sales Return	30,000	
Return Outwards		60,000
General Expenses	82,000	
Commission Received	24,000	
Cash	106,000	
Debtors	204,000	
Furniture	248,000	
Electricity Expenses		15,000
Motor Vehicle	920,000	
Rent Expenses		2,500
Capital		900,500
Bank Loan		280,000
Creditors		200,000

Additionally, you are provided with the following intricate supplementary information:

- Stock as at December 31, 2022, amounted to Ksh100,000.
- Prepaid Electricity Expenses stood at Ksh6,000.
- Rent Expenses accrued to Ksh5,500.
- Depreciation was applied meticulously:
    - Motor Vehicle at 10% per annum on its cost.
    - Furniture at 10% per annum on its cost.

i   Prepare the Trading, Profit and Loss Account for the year. **(7 Marks)**
ii   Construct an intricate Balance Sheet as at December 31, 2022.
(8 Marks)

QUESTION FOUR (15 MARKS)
a) Discuss the importance of the trial balance in the accounting process. What types of errors may not be detected by the trial balance, and how can they be rectified? **(10 Marks)**
b) Differentiate between the three-column cash book and the petty cash book in terms of their purpose, format, and recording methods. **(5 Marks)**

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