



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS**

**2023/2024 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 : 14/12/2023**

**TIME : 0830-1030 HRS**

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**INSTRUCTIONS TO CANDIDATES**

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

*This paper consists of 3 printed pages. Please turn over.*

### Question one

- a) Identify and explain any **THREE** errors that don't affect the trial balance. **[ 5 marks]**
- b) The following trial balance has been extracted from the ledger of Herbert Howell, a sole trader as at 31<sup>st</sup> May 2023.

**Herbert Howel**  
**Trial balance as at 31<sup>st</sup> may 2023**

	<b>Dr ( kshs)</b>	<b>Cr ( kshs)</b>
Property at cost	91,000	
Equipment at cost	57,500	
Provision for depreciation ( as at 1 <sup>st</sup> June 2022)		
Property		12,500
Equipment		32,500
Stock as at June 2022	27,400	
Purchases / sales	256,600	405,000
Discounts	3,370	4,420
Wages and salaries	52,360	
Bad debts written off	1,720	
Loan interest	1,560	
Carriage out	5,310	
Other operating expenses	38,800	
Trade Debtors / Creditors	46,200	33,600
Provisions for bad debts		280
Cash on hand	151	
Bank overdraft		14,500
Drawings	28,930	
13 % loan		12,000
Capital as at 1 <sup>st</sup> June 2022		98,101
<b>Total</b>	<b><u>612,901</u></b>	<b><u>612,901</u></b>

The following additional information as at 31<sup>st</sup> may 2023 is available,

- a) Stock as at the close of the business was valued at shs 25,900
- b) Depreciation for the year ended 31<sup>st</sup> may 2023 has yet to be provided as follows :   Property - 1 % on cost and Equipment – 15% at cost
- c) Wages and salaries are accrued by shs 140
- d) Other operating expenses include certain expenses prepaid by shs 500.  
Other expenses included under this heading are accrued by shs 200.

- e) The provision for bad debts is to be adjusted so that it is 0.5 % of the debtors.
- f) Purchases include goods valued at shs 1,040 which were withdrawn by Mr Howell for his own personal use.

**Required :**

- i) Prepare Mr Howells Income Statement for the year ended 31<sup>st</sup> May 2023. **( 12 marks )**
- ii) Statement of financial position as at 31<sup>st</sup> May 2023. **(8 marks)**

**Question two**

Poesha Limited keeps sales and purchases control accounts in the General Ledger. The transactions for the month ended 30 April 2022 were as follows:

		Sh
Credit balances on 1 April 2022	-Sales ledger	154,000
	-Purchases ledger	569,000
Debit balances on 1 April 2022	-Sales ledger	956,000
	-Purchases ledger	196,000
Credit balances on 30 April 2022	-Sales ledger	178,000
Debit balances on 30 April 2022	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 2022. **(15 marks)**

### Question Three

a) State and briefly explain any **THREE** distinguishing features between A receipts and payments account and 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 2021.

<b>Receipts</b>		<b>Payments</b>	
	<b>Sh</b>		<b>Sh</b>
Balance b/f	288,000	Salaries and wages	254,000
Subscriptions		New equipment	565,000
Year: 1999/2020	249,000	Repairs and maintenance	124,000
2000/2021	2,050,000	Office expenses	415,000
2001/2022	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><b>4,561,000</b></u>		<u><b>4,561,000</b></u>

<b>Balances as at</b>	<b>31 March 2020</b>	<b>31 March 2021</b>
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% p.a. on furniture and fittings and equipment respectively.
3. Investments, which had cost Sh. 500,000, were sold on 30 March 2021 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 2021.

**(6 marks)**

(b) Statement of Financial position as at 31 March 2021.

**(4 marks)**

#### Question Four

- i) Explain any five accounting concepts **( 5 marks)**
- ii) Explain any five causes of differences between bank balance in the cash book and bank statement balance. **( 5 marks )**
- iii) Explain five objectives of accounting **( 5 marks )**

#### Question Five

On 1st January 2018 ABC transporters owned three Lorries purchased an different dates as follows;

Lorry No.	Year purchased	Cost
KQY 452	1 st January 2018	640,000
KQX 244	1 st January 2020	800,000
KQZ 321	1 st January 2022	960,000

The company which prepares its accounts on 31<sup>st</sup> December each years changes depreciate at 20 per cent on cost on a straight line basis . The depreciation charge is credited to a provision for depreciation of Lorries account while the motor Lorries account is maintained at cost.

There were neither acquisitions nor disposals of lorries during 2021 , but in January2020 Lorry KQX 244 developed mechanical Problems and was sold for shs 440,000 in cash . A new lorry KQW 648 was purchased at the same time for shs 956,000.

#### Required: prepare;

- i) Motor Lorries account for the years 2018 to 2022 **[ 2 marks]**
- ii) Provision for depreciation of motor Lorries account for the same period **[5marks]**
- iii) The disposal account to calculate the profit or loss on sale of Lorry KQX 244. **( 3marks)**
- a) Explain any five differences between a private and public company. **( 5 marks )**

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