



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS  
2022/2023 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: 19/4/2023**

**TIME: 0830-1030 HRS**

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**INSTRUCTIONS TO CANDIDATES**

1. Answer Question **ONE** and any other **TWO** questions.
2. Show all your answers and workings in the answer booklet.

### QUESTION ONE (COMPULSORY) (30 MARKS)

a) Discuss the following errors of the trial balance, giving an example in each case:

- i) Error of original entry **(2 marks)**
- ii) Error of Principle **(2 marks)**
- iii) Complete reversal of entries **(2 marks)**
- iv) Compensating errors **(2 marks)**

b) The Financial Accounting Standards Board (FASB) requires business organizations to follow the accounting principles referred to as Generally Accepted Accounting Principles (GAAP) while preparing their financial statements. Discuss any five of such principles (10 Marks).

c) The following transactions were extracted from the books of Achia Traders for the month of January 2023:

- Jan 1 Started business with capital in cash Sh.13,000
- 2 Paid rent by cash Sh.300.
- 3 Graham lent Sh.3,000 and a cheque was received
- 4 Peter was paid by cheque sh.900
- 5 Cash sales Sh.200
- 7 Faith paid Achia traders by cheque sh.300
- 9 A Moore was paid in cash sh.100
- 11 Cash sales paid direct into the bank sh.300.
- 15 Mike paid Achia traders in cash sh.100
- 16 Sh.1000 was paid from the office to the bank.
- 19 Kane was given a cheque of sh.500.
- 20 Cash sales paid direct into the bank Sh.100.
- 25 Motor expenses were paid by cheque sh.200.

- 30 Withdrew sh.200 cash from the bank for business use.  
 31 paid wages in cash sh.300.

**Required:** Prepare Achia Traders two-column cash book. **(12 marks)**

**QUESTION TWO (15 MARKS)**

(a) Barraza is the Petty Cashier Arsenal Enterprises. The petty cash is managed through the imprest system with an imprest of sh.25,000 per week. The following information relate to the first week of the month of July 2022:

July 1 <sup>st</sup>	Balance	b/f	5000
1 <sup>st</sup>	Cash reimbursed		?

**Cash Payments**

	<b>Voucher no.</b>	<b>Description</b>	
2.	103	Newspapers 1,000	
2.	104	Courier charge	1,500
3.	105	Tea ,milk and coffee	2,500
4.	106	Mobile phone cards	2,000
4.	107	Printing	1,500
5.	108	Wages for casuals	1,500
5.	109	Motor vehicle fuel	4,500
5.	110	Office stationery	1,300
5.	111	Taxi charges	1,000
6.	112	Cleaning materials	1,200
6.	113	Managers lunch	1,500

**Required**

Prepare a petty cash book, having the following columns; Travelling& Communication expenses, Printing & Stationery, cleaning expenses and other office expenses. **(10 marks)**

(b) Highlight any five books of original entry **(5marks)**

**QUESTION THREE (15 MARKS)**

a) "Financial accounting is a business language". Identify five users of financial accounting information and explain why they require it.

**(10 marks)**

b) Highlight **any five** source documents that act as evidence of the occurrence of a business transaction

**(5 marks)**

**QUESTION FOUR (15 MARKS)**

The following are extracts from the books of Glory of God restaurant, for the year ended on 30<sup>th</sup> July 2022.

	<b>Dr (Shs)</b>	<b>Cr Shs</b>
Rental Equipment	900	
Insurance	1,800	
Lighting and heating expenses	2,000	
Motor expenses	2,300	
Salaries and wages	48,000	
Sales		382,200
Purchases	245,000	
Sundry expenses	600	
Lorry	20,000	
Creditors		40,000
Stock	16,500	
Debtors	44,000	
Fixtures	4,600	
Building	174,000	
Cash at bank	11,300	
Drawings	44,000	
Capital		200,000

i. Prepare income statement for the year ending on 30<sup>th</sup> July 2022.

**(8 Marks)**

ii. Prepare a statement of financial position as at 30<sup>th</sup> July 2022. **(7 marks)**

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