



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR
FIRST YEAR SECOND SEMESTER**

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

**COURSE CODE: DBM 08
COURSE TITLE: FINANCIAL ACCOUNTING I**

DATE:

TIME

INSTRUCTIONS TO CANDIDATES

Answer ALL Questions

QUESTION 1

a) Write briefly on the following:

- i Reserves (4 Marks)
- ii Accruals (4 Marks)
- iii Prepayments (4 Marks)

b) Entonai LTD received their bank statement for the month of May 2022. It reflected a credit balance of Kshs 9,290,000. However, the cash book balance as at 30th May 2022 indicated a higher amount by Kshs 4,530,000. The company accountant investigated the matter and discovered the following discrepancies:

- Cash amounting to 1,704,000 though entered in the cash book as having been banked had been embezzled by the cashier.
- The bank had erroneously credited KK ltd account with an amount of 2,510,000
- Direct deposit by a debtor amounted to 13,080,000. These deposit were made through electronic fund transfer.
- Uncredited cheque as at 30th may 20 amounted to 9,426,000
- A standing order of 1,770,000 for goods purchased on hire purchase had been effected by the bank
- Cheque issued to supplier but not yet presented to the bank as at 31st may 2022 amounted to 2,640,000.
- Bank charges amounting to 484,000 had not been entered in the cash book
- A cheque from a debtor for an amount of 1,446,000 was returned by the bank stamped "Account closed".
- A forged cheque in favour of XYZ LTD was presented to the bank. The cheque which amounted to 2,712,000 was paid by the bank.
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Required

- i. Adjusted cash book as at 30th May 2022 (7 Marks)
 - ii. Bank reconciliation statement as at 30th May 2022 (6 Marks)
- c) Highlight five main features of a manufacturing account (5 Marks)

QUESTION TWO

- a) Explain THREE errors which do not affect the trial balance **(3 marks)**
- b) The audit of the books of SK Kamau for the year ending 31st December 2022 revealed the following errors
- A machine purchased for 1,200,000 had been debited to the purchases account
 - Goods purchased from Kanini whole seller for 1,500,000 were credited to the account of Kanene whole sellers
 - An invoice from Bepo Agrovet for 2,700,000 was omitted
 - Goods sold to Masai Mara University for 1,750,000 were entered in the sales daybook as 1,570,000.
 - The salary and wages account was over added by 350,000 and rent received account was also over added by 350,000

Show by means of journal entry how the above errors should be corrected in the books of SK Kamau **(7 marks)**

QUESTION THREE

- a) Describe any four methods used in the computation of depreciation of an asset **(4 marks)**
- b) Maasai Mara University motor purchased bus for 4,000,000 on 1st January 2019, depreciation was to be provided at the rate of 25% per annum on reducing balance method. Show the entries as at 31st December 2019,2020,2021,2022 on the following accounts:
- Motor vehicle account
 - Provision for depreciation account
 - Extract for Profit and loss account **(6 marks)**

QUESTION FOUR

- a) Outline SIX contents of a partnership deed **(3 marks)**

b) Given the following trial balance for Rangers Ltd, draw up a statement of comprehensive income for Rangers Ltd for the year ended 31 December 2022
(7 marks)

	<u>Sh</u>	<u>Sh</u>
Sales		205,500
Purchases	129,000	
Opening stock	16,000	
Rent	42,000	
Lighting expenses	8,000	
General expenses	17,000	
Fixture and fittings	4,800	
Debtors	148,000	
Creditors		37,000
Bank	14,300	
Cash	2,800	
Drawings	14,000	
Capital		128,000
Commissions		24,000
Returns inwards	4,600	
Return outwards		<u>6,000</u>
	<u>400,500</u>	<u>400,500</u>

QUESTION FIVE

Qeshe Ltd issued 1000 shares to the public at Sh 10 each payable as to sh. 2.5 on application, Sh 5 on allotment and Sh 2.5 on first and final call. They received applications for 2000 shares of which they returned one half and then proceeded to allot the rest.

Required:

a) Show the journal entries to record the issue (6 Marks)

b) Show the accounts as they would appear in Qeshe Ltd.'s books.

(4 Marks)

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