

SCOTT CHRISTIAN UNIVERSITY

SCHOOL OF PROFESSIONAL STUDIES

FIRST SEMESTER EXAM FOR DEGREE IN: BACHELOR OF LEADERSHIP MANAGEMENT

BACHELOR IN COMMUNITY DEVELOPMENT

DIPLOMA IN COMMUNITY DEVELOPMENT 2016/2017

MGT122: FINANCIAL ACCOUNTING

BCD124/ DCD104: INTRODUCTION TO ACCOUNTING

16/04/2016

Time: 2Hours

Lecture: Jane Magembe

Instructions: Answer question one compulsory and any other two questions.

QUESTION ONE COMPULSORY

a) Accounting is important in any organization define accounting and give two qualities of a good financial report. **4 marks**

b) Using the information below write up a two-column cash book and balance off as at the end of the month:

2013

May	1	Started business with capital in cash sh1,000.
"	2	Paid rent by cash sh 100.
"	3	F Lake lent us sh 5,000, paid by cheque.
"	4	We paid B McKenzie by cheque sh 650.
"	5	Cash sales sh 980.
"	7	N Miller paid us by cheque sh 620.
"	9	We paid B Burton in cash sh 220.
"	11	Cash sales paid direct into the bank sh 530.
"	15	G Moores paid us in cash sh 650.

- “ 16 We took sh 500 out of the cash till and paid it into the bank account.
- “ 19 We repaid F Lake sh 1,000 by cheque.
- “ 22 Cash sales paid direct into the bank sh 660.
- “ 26 Paid motor expenses by cheque sh 120.
- “ 30 Withdrew sh 1,000 cash from the bank for business use.
- “ 31 Paid wages in cash sh 970.

16 marks

c) Briefly discuss five users of financial statements

10marks

QUESTION TWO

Mr J Ockey commenced trading as a wholesaler stationer on 1 May 2010 with a capital of £5,000.00 with which he opened a bank account for his business.

During May the following transactions took place.

May 1 Bought shop fittings and fixtures from store fitments Ltd for £2,000.00

May 2 Purchased goods on credit from Abel £650.00

May 4 Sold goods on credit to Bruce £700.00

May 9 Purchased goods on credit from Green £300.00

May 11 Sold goods on credit to Hill £580.00

May 13 Cash sales paid into bank account £200.00

May 16 Received cheque from Bruce in settlement of his account

May 17 Purchased goods on credit from Kay £800.00

May 18 Sold goods on credit to Nailor £360.00

May 19 Sent Cheque to Abel in settlement of his account

May 20 Paid rent by cheque £200.00

May 21 Paid delivery expenses by cheque £50.00

May 24 Received from Hill £200.00 on account

May 30 Drew cheque for personal expenses £200.00 and assistant wages £320.00

May 31 Settled the account of Green.

Required

- a) Record the transactions in the books of original entry.
- b) Post the entries in the ledger accounts
- c) Balance the ledger accounts where necessary
- d) Extract a trial balance as at 31 May 2000

20 marks

QUESTIN THREE

a) "Financial statements are based largely on estimates and the application of accounting rules for recognition and allocation. To facilitate preparation and interpretation of useful accounting information, accountants depend on conventions or rules of thumb and generally accepted accounting principles". Discuss this statement.

10marks

b) Discuss five errors affecting a trial balance

10 marks

QUESTION FOUR

The following transactions took place in Mr. Wambuas' business during the month of March 2016.

The opening balances on 1 march reflected in the cash book were as follows.

Cash balance b/d sh.400,000 debit

Bank balance b/d 20,000 credit

2/03 He bought a business premise worth 80,000 and he paid in cash.

3/3 Deposited sh 150,000 cash into the business bank account.

5/3 Bought goods worth 50,000 on credit from Nduda.

9/3 returned goods worth 8000 to Nduda on account of being fault.

14/3 Received sh 100,500 cash as a loan from Musyoka.

15/3 He made credit sales to Bishop Musili worth 90,000.

16/3 paid the amount due to Nduda less 15% cash discount using a cheque.

17/3 Pade cash sales amounting to 57,000

18/3 Purchased goods worth 77,000 from Jacob on credit

19/3 Paid electricity bill sh 22,000 using a cheque

20/3 Made credit sales to Bob worth 60,000

21/3 Bob returned goods worth 15,000 complaining that they were expired.

26/3 Received cash from Bishop Musili in respect to the amount dues from him less 8% cash discount

27/3 paid the amount dues to Jacob less 3% cash discount using cash

28/3 received the amount dues from bob less 5% cash discount inform of a cheque

31/3 received a cheque of 27,000 in respect to rent income.

Required: Mr. Wambuas' cash book for the month of March 2010

20marks

QUESTION FIVE.

Skates drew up the following trial balance as at 30 September 2002. You are to draft the trading and profit and loss account for the year to end 30 September 2002 and a balance sheet as at that date.

20marks

	Dr	Cr
	Sh	Sh
Capital		3,095,500
Drawings	842,000	
Cash at bank	311,500	
Cash in hand	29,500	
Debtors	1,230,000	
Creditors		937,000
Stock 30 September 2001	2,391,000	
Motor van	410,000	
Office equipment	625,000	
Sales		1,309,000
Purchases	9,210,000	
Returns inwards	55,000	
Carriage inwards	21,500	

Returns outwards		30,700
Carriage outwards	30,900	
Motor expenses	163,000	
Rent	297,000	
Telephone charges	40,500	
Wages and salaries	1,281,000	
Insurance	49,200	
Office expenses	137,700	
Sundry expenses	<u>28,400</u>	
	<u>17,153,200</u>	<u>17,153,200</u>

ALL THE BEST