



## **GARISSA UNIVERSITY COLLEGE**

*(A Constituent College of Moi University)*

**UNIVERSITY EXAMINATION 2016/2017 ACADEMIC YEAR ONE  
SECOND SEMESTER EXAMINATION**

**SUPPLEMENTARY/SPECIAL EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DIPLOMA BUSINESS MANAGEMENT**

**COURSE CODE: DBM 08**

**COURSE TITLE: FINANCIAL ACCOUNTING 1**

**EXAMINATION DURATION: 3 HOURS**

**DATE: 26/09/17**

**TIME: 09.00-12.00 PM**

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### **INSTRUCTION TO CANDIDATES**

- **The examination has SIX (6) questions**
- **Question ONE (1) is COMPULSORY**
- **Choose any other THREE (3) questions from the remaining FIVE (5) questions**
- **Use sketch diagrams to illustrate your answer whenever necessary**
- **Do not carry mobile phones or any other written materials in examination room**
- **Do not write on this paper**

**This paper consists of FIVE (5) printed pages**

*please turn over*



## QUESTION ONE (COMPULSORY)

(a) Define financial accounting [3 Marks]

(b) Explain the following terms as used in company accounts and give examples give examples in each case

- i. Private companies
- ii. Public companies
- iii. Share capital
- iv. Authorized Share Capital
- v. Issued share Capital

[10 Marks]

(c) Chunga Kazi Ltd had the following Assets and liabilities as on 31<sup>st</sup> December 2015:

Payables	sh.39,500
Equipment	sh. 115,000
Motor vehicle	sh. 62,900
Stock	sh. 61,500
Receivables	sh.57,700
Bank	sh. 72,800
Cash	sh. 400

During the first week of December 2015, Chunga Kazi bought extra equipment on credit for sh. 13,800 Bought extra stock by cheque sh. 5,700, Paid creditors by cheque sh. 7,900 received from debtors sh. 8,400 by cheque and sh. 600 by cash. Put in an extra of sh. 2.500 as capital.

### Required:

Prepare statement of financial position for Chunga Kazi as at 31<sup>st</sup> December 2015 after the above transactions have been completed.

[12 Marks]

## QUESTION TWO.

(a) State and explain any four qualities of a useful accounting information. [8 Marks]

(b) Write up the assets, capital and liabilities accounts in the books of Nyumba Kumito record the following transactions.

2016



- April 1. Started a business with sh. 50,000 in the Bank.  
 April 2. Bought motor vehicle paying by cheque sh. 12,000  
 April 5. Bought fixtures sh.4,000 on credit from Office masters Ltd.  
 April 8. Bought a van on credit from Motors cars Ltd sh.8,000.  
 April 12. Took sh. 1000 out of the bank and put it into the cash box.  
 April 15. Bought fixtures paying by cash sh.600.  
 April 19. Paid motor cars Ltd by cheque sh. 8,000.  
 April 21. A loan of sh. 10,000 cash is received from J. John  
 April 25. Paid sh. 8,000 of the cash in hand into the bank account.  
 April 30. Bought more fixtures paying by cheque sh. 3,000

[7 Marks]

### QUESTION THREE.

- (a) Accounting information is a very important information for the operation of the business. State and explain any five users of accounting information.

[5 Marks]

- (b) B Kelly has a business that has been trading for some time. The following information is extracted from the books of accounts as at 31.12.2002

	<b>KSH</b>
Buildings	11,000
Furniture & Fittings	5,500
Motor Vehicles	5,800
Stocks	8,500
Debtor	5,600
Cash a bank	1,500
Cash in hand	400
Creditors	2,500
Capital	30,800
Loan	5,000

You are required to prepare a Balance Sheet as at 31 December 2001

[10 Marks]



#### QUESTION FOUR.

(a) Differentiate between Ordinary share capital and Preference Share capital **[4 Marks]**

(b) The following information was extracted from the books of Mwembe Tayari Traders on 31<sup>st</sup> March, 2011.

March 1. Balance brought forward were cash sh. 230,000 and bank sh. 4,756,000.

March 2. The following paid their account by cheque in each case deducting 5% discounts; Mweberi sh. 140,000, Tamko sh. 220,000, Kamau sh. 800,000.

March 4. Paid rent by cheque sh.120,000

March 6. Gedion lent us sh. 1,000,000 by cheque

March 8. We were paid the following accounts by cheque, in each case deducting 2.5% discount; Blackburn sh.360,000, Tofino sh.480,000, Backhouse sh. 300,000.

March 10. Paid motor vehicles expenses in cash sh. 44,000.

March 15. Paid wages sh. 160,000 in cash.

March 18. The following paid their accounts by cheque in each case deducting 5% discount; Christopher sh.260,000, Wilson sh. 340,000, Maryanne sh. 460,000.

March 21. Cash withdrawn from the bank sh. 350,000 for business use

March 24. Cash drawings sh. 120,000

March 25. Paid Hugh his account of sh. 140,000, by cash sh. 133,000 having deducted sh. 7,000 as discount.

March 29. Bought fixtures paying by cheque sh. 650,000

March 31. Received commission by cheque sh. 88,000

Required:

Draw up a Three Column Cash book to record the above transactions **[11 Marks]**

#### QUESTION FIVE.

(a) Muchungu and Mulonzi decided to form a limited company in the year 2001. They decided to incorporate their spouses as co-directors.

State and explain the merits they considered in forming a limited liability company instead of public company. **[5 marks]**

(b) From the following trial balance of P Boones draw up a trading and profit and loss account for the year ended 30 September 2002, and a balance sheet as at that date.



	Dr	Cr
	£	£
Stock 1 October 19x8	23,680	
Carriage outwards	2,000	
Carriage inwards	3,100	
Returns inwards		2,050
Returns outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures and fittings	3,500	
Debtors	38,960	
Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital		126,360
	<u>332,890</u>	<u>332,890</u>

**[10 Marks]**

