KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2014/2015

DIGITAL SCHOOL OF VIRTUAL AND OPEN LEARNING

SECOND SEMESTER EXAMINATION FOR DIPLOMA IN BUSINESS MANAGEMENT

BAC 010: BASIC FINANCIAL ACCOUNTING

DATE: Tuesday, 28th April 2015 **TIME:** 8.00 a.m. – 10.00 a.m.

INSTRUCTIONS:

- **i. Answer all the questions.**
- **ii. Show all the workings**

QUESTION ONE (14 marks)

a. Explain briefly why each of the following groups interested in the financial statement of a business?

- Creditors
- Potential investors
- Labour unions

3 marks

b. Classify the following items into liabilities and assets:

- Motor vehicles
- Premises
- Creditors for goods
- Debtor
- Owing to bank
- Cash in hand
- Loan from Equals Bank
- Machinery

4 marks

c. Show the effect of the following transactions on the accounting equation.

1/1/2014	Started business with shs100,000 cash in hand
2/1/14	Received a bank loan amounting to shs200,000 cash
3/1/14	Bought stock worth shs50, 000 from Wambua but partly paid for them shs20, 000 cash

4/1/14	Deposited shs60,000 business cash into the bank account
5/1/14	The owner withdrew stock worth shs5,000 for his domestic use
6/1/14	The owner invested more cash into the business shs100, 000 for expansion purposes
7/1/14	Bought business premises worth shs80, 000 and paid by cash 7 marks

QUESTION TWO (8 marks)

a. Explain clearly, in terms which a non accountant would understand, the following accounting terms:

   i. the going concern concept

   ii. the prudence concept 4 marks

b. i. Explain the role of petty cash book in a business 2 marks

   ii. Explain the term "imprest system" as used in the petty cash book operations. 2 marks

QUESTION THREE (18 marks)

The following transactions relate to Holfield Retail shop in the month of April 2014

1/4/14	Owner started business with shs50,000 cash
2/4/14	Received shs20, 000 cash as bank loan
4/4/14	Bought goods worth shs5, 000 and paid by cash
8/4/14	Deposited part of the cash in hand shs8,000 into the business bank a/c
11/4/14	Converted a personal vehicle worth shs10, 000 into a business vehicle
15/4/14	Bought stock worth shs7, 000 on credit from Isaac
20/4/14	Bought furniture worth shs2, 000 and paid by cash.
24/4/14	Paid Isaac shs3, 000 using a cheque
30/4/14	Withdrew shs1, 000 cash from the business for own use

Required:

Post the following transactions to the ledger a/c, balance off the accounts and prepare a trial balance as at 30/4/14. 18 marks

QUESTION FOUR (20 marks)

The following transactions took place in S.M. Munyao business in the Month of March 2015.

1/3/15Owner started business with shs. 50,000 cash

3/3/15 Bought business premises worth shs. 12,000 and paid by cash

3/3/15 Bought stock worth shs. 5,000 from Joseph on credit

4/3/15 Deposited shs. 20,000 cash into the business bank a/c

5/3/15 Made credit sales to Irene worth shs. 15,000

7/3/15 Paid for furniture shs. 1,000 by cheque

11/3/15 Paid for motor expenses shs. 800 cash

15/3/15 Withdrew shs. 2,000 cash from the bank for personal use

18/3/15 Paid Joseph by cash the amount due to him less 5% cash discount

20/3/15 Made credit sales to Ananias worth shs. 8,000

21/3/15 Bought stock worth shs. 6,000 on credit from Isaac

24/3/15 Ananias paid amount due from him with a cheque less 10% cash discount

25/3/15 Irene paid her dues using cash less 8% cash discount

29/3/15 Paid Isaac with a cheque amount due to him less 5% cash discount.

31/3/15 Received a cheque of shs. 10,000 as a rent income.

Required:

Prepare a three-column cashbook for the month March 2015. 20 marks