



# **MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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## **University Examinations 2024/2025**

FIRST YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF  
COMMERCE, BACHELOR OF SCIENCE IN EDUCATION, BACHELOR OF  
PURCHASING AND LOGISTIC MANAGEMENT AND BACHELOR OF BUSINESS  
ADMINISTRATION

THIRD YEAR FIRST SEMESTER BACHELOR OF SCIENCE IN MATHEMATICS AND  
COMPUTER

### **BFC 3125: FINANCIAL ACCOUNTING/ FINANCIAL ACCOUNTING I**

**DATE: JANUARY 2025**

**TIME: 2 HOURS**

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**INSTRUCTIONS:** Answer question *one* and any other *two* questions

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#### **QUESTION ONE (30 MARKS)**

Mr Mengo commenced trading as a wholesaler stationer on 1 May 2023 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. | Post the entries in the ledger accounts     | (10 marks) |
| b. | Balance the ledger accounts where necessary | (10 marks) |
| c. | Extract a trial balance as at 31 May 2023   | (10 marks) |

### **QUESTION TWO (20 MARKS)**

The books of Mr T, a trader in tea showed the following balances as at 31 March 2024:

	Shs.
Opening stock of tea	100,000
Purchases — Tea	400,000
Salaries paid	80,000
Buildings	95,000
Cash in hand	2,000
Cash at bank	135,000
Rent, rates and council taxes	15,000
Insurance premium paid	3,000
Miscellaneous receipts	10,000
Sales	720,000
Discounts allowed	4,750
Bad debts	3,250
Building repairs	2,900
Miscellaneous expenses	8,700
Advertisement	20,000
Commission to sales manager	32,400
Furniture and fittings	35,000
Air conditioners	30,000
Sundry debtors	100,000
Sundry creditors	80,000
Loan on mortgage	70,000
Interest paid on the above	3,000
Prepaid expenses	4,000
Drawings	18,000
Bills payable (Current liability)	30,000
Bank charges	2,000
Legal charges	6,000
Motor vehicles	80,000
Travelling and conveyance	10,000
Capital	280,000

The following further information was obtained:

1. Closing stock was Shs.55,000.

2. Depreciation is chargeable as follows:

Buildings	2.5%
Furniture and Fittings	10%
Air conditioners	15%
Motor vehicles	20%

**Required:**

Prepare a trading, profit and loss account for the year ended 31<sup>st</sup> March 2024 and a Balance Sheet as at that date.

**QUESTION THREE (20 MARKS)**

- a) Define Accounting and explain its purpose in reference to different users of accounting information (5 marks)

The following trial balance was extracted from the books of Raimutulla, a sole trader, at 31<sup>st</sup> December 2023:

	Shs	Shs
Drawings/ Capital	2,148	20,271
Debtors / Creditors	7,689	5,462
Purchases/ Sales	62,101	81,742
Rent and Rates	880	
Light and heat	246	
Salaries and wages	8,268	
Bad debts	247	
Provision for bad debts		326

Stock in trade 31 <sup>st</sup> Dec 2017	9,274	
Insurance	172	
General Expenses	933	
Bank balances	1,582	
Motor van at cost/ Provision for depreciation	8,000	3,6000
Proceeds on sale of van		250
Motor expenses	861	
Freehold premises at cost	15,000	
Rent received		750
Provision for depreciation on buildings		<u>5 000</u>
	<u>117, 401</u>	<u>117, 401</u>

The following matters are to be taken in to account:

1. Stock in trade at 31<sup>st</sup> December 2023 was Shs.9,884
2. Rates paid in advance at 31<sup>st</sup> December 2023, Shs.40
3. Rent receivable due at 31<sup>st</sup> December 2023, Shs.250
4. Lighting and heating due at 31<sup>st</sup> December 2023, sh.85

**Required:**

A Statement of Financial Performance for the year ended 31<sup>st</sup> December 2023 and a Statement of Financial Position as at date. (15 Marks)

**QUESTION FOUR (20 MARKS)**

You are to enter the following transactions, completing the double entry in the books of John Mwangaza for the month of March 2024.

2002

March 1	Started business with in the bank.
“ 2	Purchased goods kshs157,000 on credit from Lucky M.
“ 3	Bought furniture and fittings kshs150,000 paying by cheque.
“ 5	Sold goods for cash kshs75,000.
“ 6	Bought goods on credit kshsl 10,000 from Job Luiz.
“ 10	Paid rent by cash kshs105,000.
12	Bought stationery kshs 207,000, paying in cash.
18	Goods returned to Lucky M kshs 23,000.
21	Let off part of the premises receiving rent by cheque kshs 15,000.
23	Sold goods on credit to Grace Ebenezer for kshs 77,000.
24	Bought a motor van paying by cheque kshs 750,000.
30	Paid the month's wages by cash kshs 171,000.
31	The proprietor took cash for himself kshs 56,000.

### QUESTION FIVE (20 MARKS)

You are to show the journal entries necessary to record the following items:

- 2023 May 1 Bought a motor vehicle on credit from Automobiles Ltd for £6,790.
- 2023 May 3 A debt of £34 owing from N Smart was written off as a bad debt.
- 2023 May 8 Furniture bought by us for £490 was returned to the supplier Wood
- Offices, as it was unsuitable. Full allowance will be given us.
- 2023 May 12 we are owed £150 by W Hayes. He is declared bankrupt and we received £39 in full settlement of the debt.
- 2023 May 14 we take £45 goods out of the business stock without paying for them.

- 2023 May 28 Some time ago we paid an insurance bill thinking that it was all in respect of the business. We now discover that £76 of the amount paid was in fact insurance of our private house.
- 2023 May 28 Bought Machinery £980 on credit from Xerox Machines Ltd.