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UNIVERSITY EXAMINATIONS 2024/2025

THIRD YEAR, FIRST SEMESTER EXAMINATION FOR DIPLOMA IN INFORMATION TECHNOLOGY

CIT 2515: FINANCIAL ACCOUNTING

DATE: DECEMBER 2024

TIME: 1 1/2 HOURS

INSTRUCTIONS: *Answer Question ONE (compulsory) and any other TWO Questions.*

QUESTION ONE – (30 MARKS)

a) Explain the following accounting concepts

- i. Prudence concept (2 Marks)
- ii. Consistency concept (2 Marks)
- iii. Business entity concept (2 Marks)

b) A firm purchase a machine for sh.100, 000 which it expects to be used in the firm for eight years. After the eight years the machine will be sold for sh 20,000.

Required

Calculate the depreciation amount of the asset using the straight line method (4 Marks)

c) Explain five users of accounting information (10 Marks)

d) Name and explain four types of errors which are not disclosed by the trial balance. (8 Marks)

QUESTION TWO - (20MARKS)

The following represents transaction made by Johnna a sole trader in February 2021.

1st February started a business with sh. 100,000 cash and 50,000 in the bank.

2nd February bought motor vehicle on credit from CMC motors sh.2 million

4th April 2021 purchased goods sh. 200,000 paying by cheque.

5th April sold goods for cash sh.400, 000

7th April deposited sh. 100,000 in the Bank

10th April Bought goods on credit from Sayen ltd sh.300, 000

15th April paid CMC motors by cheque

21st April sold goods sh.250, 000 to XYZ ltd by cheque

26th April paid salaries sh. 50,000 by cheque

30th April withdrew sh 50,000 from the Bank for personal use

Required

a) Post the transactions in the ledger account and balance off. (12 Marks)

b) Extract a trial balance as at that date (30th April 2021). (8 Marks)

Question three

The following is the trial balance extracted from the books of Pius as at 30 September 2002. 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 |
|----------------------|---------|---------|
| | Sh | Sh |
| Stock 1 October 2001 | 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> |

Additional information

1. Stock 30 September 2002 was Sh. 29,460

Required;

- a) Draw up a trading and profit and loss account for the year ended 30 September 2002. (12 Marks)
- b) A balance sheet as at that date. (8 Marks)

QUESTION FOUR - (20 MARKS)

- a) Explain five causes for the differences in the cashbook (bank column) prepared by the business accountants and that of bank statements prepared and provided by the business banker. (10 Marks)
- b) Give five incidences where the cheque will be dishonored. (10 Marks)

QUESTION FIVE - (20MARKS)

- a) Discuss five qualities of a good accounting information. (10 Marks)
- b) Explain five causes of depreciation. (10 Marks)