



MUEO

# MOI UNIVERSITY

OFFICE OF THE DEPUTY VICE CHANCELLOR, ACADEMIC  
AFFAIRS, RESEARCH, EXTENSION & STUDENT AFFAIRS

## UNIVERSITY EXAMINATIONS 2022/2023 ACADEMIC YEAR

END OF SEMESTER I & II EXAMINATIONS

### FOR DIPLOMA IN BUSINESS MANAGEMENT

**COURSE CODE:** DBM 02  
**COURSE TITLE:** PRINCIPLES OF ACCOUNTING

**DATE:** 15<sup>TH</sup> AUGUST, 2023      **TIME:** 9.00 A.M-11.30 A.M

---

#### INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF (4) PRINTED PAGES

PLEASE TURN OVER

**EXAM CODE: DBM 02**

**COURSE TITLE: PRINCIPLES OF ACCOUNTING**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS**

**QUESTION ONE**

The following trial balance was extracted from the books of Mbugua Enterprises, a sole trader, on 31 December 2014:

	Kshs.
Fixtures & fittings at cost	361,200
Motor vehicles	64,660
Stock as at 1/1/2014	74,450
Debtors	98,030
Creditors	101,200
Bank Overdraft	17,800
Loan	210,000
Purchases	549,400
Sales	879,000
Sales returns	21,400
Purchases returns	11,650
Discounts allowed	18,400
Discounts received	33,840
Carriage outwards	21,000
Insurance	33,700
Rent and rates	55,000
Interest	15,520
Wages and salaries	74,200
Bad debts	7,210
Drawings	36,540
Capital	177,220

The following information, which has not been accounted for above, is also available:

- Stock as at 31<sup>st</sup> December 2014 was valued at cost at Kshs. 83,500.
- Rent and rates prepaid Kshs. 5,000
- Insurance outstanding Kshs. 4,900
- Salary owing Kshs. 15,000

Required

1. Prepare a trial balance
2. An income statement for the period ended 31<sup>st</sup> December 2014
3. A statement of financial position as at 31<sup>st</sup> December 2014

**Total 20 Marks**

**QUESTION TWO**

- a) Explain the term bank reconciliation and Outline in why regular preparation of bank reconciliations is important
- b) Mr Ndambuki, a client of your firm, has provided you with the following bank statement and bank account details in respect of the month ended 31 December 2014

**STATEMENT OF ACCOUNT - MYOWN BANK LTD**  
 Statement date - 31 December 2009.  
 Account No 123456

Date	Particulars	Kshs	Debit	Credit	Balance
01-Dec-14	Balance forward				61,526 Cr
01-Dec-14	Cheque 1233		5,000		56,526 Cr
01-Dec-14	Lodgement			6,000	62,526 Cr
03-Dec-14	Cheque 1234		6,600		55,926 Cr
05-Dec-14	Direct Debit ESB		1,350		54,576 Cr
06-Dec-14	Credit Transfer VAT Refund			4,800	59,376 Cr
07-Dec-14	Cheque 1235		2,820		56,556 Cr
10-Dec-14	Lodgement			5,550	62,106 Cr
15-Dec-14	Cheque 1236		25,488		36,618 Cr
18-Dec-14	Credit Transfer Receivables Payment			11,550	48,168 Cr
20-Dec-14	Bank Charges		660		47,508 Cr
21-Dec-14	Cheque 1237		3,885		43,623 Cr
21-Dec-14	Cheque 1238		9,645		33,978 Cr
22-Dec-14	Lodgement			1,500	35,478 Cr
23-Dec-14	Standing Order- Rent		4,500		30,978 Cr

The books and records of Mr Ndambuki show the followings transactions through the bank account for the month of December 2014:

Bank A/c					
Date	Particulars	Ksh	Date	Particulars	Kshs
02/12/14	Balance b/f	62,526	01/12/14	Direct debit ESB	1,350
			02/12/14	Cheque 1234	6,060
09/12/14	Lodgement	5,400	05/12/14	Cheque 1235	2,820
			12/12/14	Cheque 1236	14,688
			14/12/14	Bank charges	660
			19/12/14	Cheque 1237	3,885
			20/12/14	Cheque 1238	9,645
23/12/14	Lodgement	1,500	24/12/14	Cheque 1239	12,921
			24/12/14	Cheque 1240	4,233
28/12/14	Lodgement	12,900	28/12/14	Cheque 1242	6,291
			31/12/14	Balance c/d	19,773
		82,326			82,326

**Required:**

- a) b) Updated Cash Book

6 Marks

**Total 20 Marks****QUESTION THREE**

Mike started a small business with Kshs. 80,000.00 on January 2, 2014 which he paid into a bank account for the business on the same date.

His transactions for the rest of the month were as follows:

- 5/1/14 Purchases by cheque Kshs. 27,300.00
- 6/1/14 Credit purchases Kshs. 25,200.00
  - Electricity paid by cheque Kshs. 500.00;
  - Rent Kshs. 700.00 by cheque
- 7/1/14 Drew cash for office use Kshs. 1,200.00
  - Sales by cheque Kshs. 42,520.00
  - Sales by cash Kshs. 480.00
  - Sales on credit Kshs. 50,000.00
- 8/1/14 Paid creditors by cheque Kshs. 15,100.00 and
  - Received discount of Kshs. 300.00
- 9/1/14 Cash sales Kshs. 17,115.00;
  - cash wages paid Kshs. 500.00
- 10/1/14 Paid into bank the sales made on 9/1/14;
  - Stationery bought by cash Kshs. 50.00
- 12/1/14 Received from customers cheques for Kshs. 39,200.00 and allowed discount of Kshs. 800.00
- 15/1/14 Drew cash from bank for office use Kshs. 200.00
- 16/1/14 Servicing and repairs by cash Kshs. 120.00
  - Purchases by cash Kshs. 20,000.00
  - Purchases by cheque Kshs. 5,000.00
  - Purchases on credit Kshs. 45,000.00
- 20/1/14 Sales by cash Kshs. 37,500.00
  - Sales by cheques Kshs. 17,000.00
- 22/1/14 Paid creditors Kshs. 27,900.00 by cheque and received discount of Kshs. 100.00
  - Cash sales Kshs. 2,000.00 which was immediately lodged into the bank.
- 24/1/14 Payments by cheque:
  - Rent Kshs. 1,200.00
  - Rates Kshs. 300.00
  - Wages Kshs. 2,000.00
- 28/1/14 Salaries by cheque Kshs. 3,600.00
- 30/1/14 Cash lodged into bank Kshs. 10,000.00
- 31/1/14 Drew cheque for petty cash Kshs. 200.00

**Required:**

Record the above transaction in a three column cash book as at 31<sup>st</sup> January 2014 **Total 20 Marks**

#### QUESTION FOUR

The following is a summary of petty cash transactions of a business organisation for the month of June, 2014. The business maintains a petty cash float of Kshs. 5,000.00. June 1 Petty cash float given to cashier

June 3 Postages 200

June 5 Transport fare 450

June 8 cleaning materials 350

June 9 Stationery 170

June 14 Petrol for delivery van 880

June 16 Taxi fare 390

June 20 Postages 180

June 21 Disinfectant for cleaning toilet 280

June 23 Petrol for general manager s car 660

June 24 Service of delivery van 400

June 28 Writing materials 310

June 30 Transport fare 120

#### Required:

Rule up a petty cash book with columns for Postages, Transport, Travelling, Cleaning, Stationery and Motor Expenses and enter the month s transactions, entering the re-imbursement on 30<sup>th</sup> June, 2014 necessary to restore the imprest.

**Total 20 Mark**

#### QUESTION FIVE

The following information relate to Kamlesh sole proprietor business for the month of December 2014:

01/12/14 Credit purchases: Wanyama Kshs. 140,000, Nekesa Kshs. 25,000, Otieno Kshs. 75,000

03/12/14 Cash sales: Shama Electricals Co. Kshs. 20,000

03/12/14 Credit sales: Psiwa Kshs. 56,000, Rotich Kshs. 148,000, Barto Kshs. 145,000

03/12/14 Cash Purchases: Maasai Curios. Kshs. 60,000

07/12/14 Credit sales: Njuguna Kshs. 89,000, Momanyi Kshs. 78,000, Maina Kshs. 257,000

09/12/14 Credit Purchases: Obiero Kshs. 24,000, Nekesa Kshs. 58,000, Miles, Kshs. 124,000

03/12/14 Cash sales: Ethiopia Shippers and Movers Co. Kshs. 60,000

14/12/14 Goods returned to Kamlesh by Psiwa Kshs. 5,000, Barto Kshs. 11,000, Njuguna Kshs. 14,000

20/12/14 Goods returned by Kamlesh to Otieno Kshs. 16,000

24/12/14 Credit sales: Maimuna Kshs. 36,000, Njuguna Kshs. 55,000, Gregory Kshs. 152,000

27/12/14 Credit sales: Maina Kshs. 23,000

30/12/14 Goods returned to Kamlesh by Momanyi Kshs. 14,500

#### Required:

- a) Sales Journal
- a) Sales Returns Journal
- b) Purchases Journal
- c) Purchases Returns journal

**(Total 20 Marks)**

#### QUESTION SIX

State and explain all the qualitative characteristics of financial information. (20 marks)