

**MAY – AUGUST EXAMINATION DRAFT FOR THE DIPLOMA IN BUSINESS
ADMINISTRATION/ DIPLOMA IN COOPERATIVE MANAGEMENT.**

DMBA 1101/ COCM 1210

QUESTION ONE

- a) Explain THREE reasons why we record business transactions (6 Marks)
- b) Explain TWO uses of Trial Balance (4 Marks)
- c) The following transactions took place in the month of July, 2018

July-01 Mr Omondi started a business with Shs 10,000 cash and Shs 80,000 in the bank as his capital

- 2 Purchased goods on cash Shs 15,000
- 3 Sold goods for cash of shs 20,000
- 4 Banked shs 15,000
- 5 Bought goods from Kajairo Ltd worth shs 40,000
- 6 Paid Kajairo Ltd on account and enjoyed shs 4,000 cash discount
- 7 Bought goods thro' bank shs 30,000
- 8 Sold goods to Magadi Hotel shs 20,000
- 9 Bought goods from Marula Ltd shs 10,000
- 10 Withdraw sh 5,000 from bank
- 11 Paid Marula Ltd less shs 1,000 cash discount
- 12 Paid salary cash shsss 5,000
- 13 Purchased goods through bank for shs 10,000
- 14 Purchased goods from Marula ltd shs 10,000
- 16 Magadi paid for goods sold on July 8th less shs 2,000 discount
- 17 Paid for water shs 1,000 cash
- 20 Sold goods cash shs 30,000
- 23 Deposited shs 20,000 into bank

24 Bought a weight scale shs 4,000 cash

Required

Open a three column cash book duly balanced and record the transaction for the month of July, 2018 (20 Marks)

QUESTION TWO

Malcom Ltd undertook the following transactions in the month of August, 2013

1st august - started business with shs 300,000 cash

2nd august- paid rent for business sh 25,000

6th august- bought goods on credit from tips Ltd for sh 60,000

15th august- bought furniture from Manyonge Enterprises on credit sh 18,000

20th august- returned spoiled goods costing sh 2,900 to Tips Ltd

22nd august- bought goods worth sh 50,000 from Munywoki Ltd and paid sh 10,000 while the balance was to be cleared within 6 months

28th august- sold goods sh 12,000 for cash and sh 54,000 on credit

Required

- a) Journal entries to record the above transactions (10 marks)
- b) Ledger for the above transactions duly balanced (10 marks)

QUESTION THREE

The following trial balance was extracted from the books of Marafiki traders on 30th June 2018

	Dr	Cr
Purchases and sales	108,680	210,420
Carriage outward	1,955	
Return inward and outward	4,900	3,720
Salaries and Wages	41,800	
Motor expenses	912	
Rent	6,800	
Sundry expense	318	
Motor Vehicles	14,400	
Fixtures and fittings	912	
Accounts receivable and payable	23,200	14,100
Cash at bank	4,100	
Cash in hand	240	
Drawings and capita	29,440	18,827
Inventory 1/7/2015	9,410	
	<u>247,067</u>	<u>247,067</u>

Additional information

- i. Inventory at 30th June 2018 was 11,290
- ii. Carriage outward includes sh.480 carriage inwards

Required

- a) Income statement as at 30th June 2018 (12 marks)
- b) Statement of financial position as at 30th June 2018 (8 marks)

QUESTION FOUR

- a) Highlight FIVE reasons why the cash book balance and bank statement balance by the end of an accounting period may differ (10 Marks)
- b) Complete the following table showing the accounts to be debited and those to be credited (10marks)

	Account to be debited	Account to be credited
Paid insurance by cheque		
Paid motor expenses by cash		
Rent received in cash		
Paid rates by cheque		
Received refund of rates by cheque		
Paid for stationary expenses by cash		
Paid wages by cash		
Sold surplus stationary receiving proceeds by cheque		
Received sales commission by cheque		
Bought motor van by cheque		

QUESTION FIVE

- a) What is accounting (2marks)
- b) Explain five accounting Principles (10marks)
- c) Explain four users of accounting information (8marks)

SPECIAL EXAMINATION

QUESTION ONE

On 31 /06/2015 the proprietor of N.Nyagaka Ltd presented the following details to you concerning the Company's transaction in the month of July

1st Bal b/d cash and Bank amounted to 800

2nd Insurance payments amounted to 900

3rd They paid the following debtors by cheque in each case deducting 5% cash discount.

- ✓ Mayne enterprises shs.2, 000.
- ✓ Reallos ltd 5000
- ✓ Vivian enterprises 4000

8th sale of goods worth 4000

9th paid the following accounts by cheque nafula Sayers Ltd 1700, cheekers ltd 11,000 and bred's ltd 500.

10th Paid motor insurance 500

12th Received 900 by cheque and 200 cash.

15th paid salaries in cash 2000

16th the following paid their account by cheque jimmy 540 ,Emily 700 and vane 520.

20th made a cash withdrawal from the bank 2500 for business use and 500 for personal use.

24th received 3000 by cheque and 600 cash from Safi limited one of his customers.

29th received a cash commission of 800.

Required

A three column cash book (the amount is in Sh.) 20 MKS.

QUESTION TWO.

- a) **Explain** five errors that do not affect the trial balance **10MKS**
- b) **Explain** the following terms and concepts as used **10 MKS.**

Materiality
Going concern
Prudence concept
Matching concept
Consistency

QUESTION THREE

Mwazilishi started business with sh.5000 in the bank on 1st may .The business transactions during the month the month were as follows

- i. Took Sh.300 out of the bank for petty cash
- ii. Bought used car and paid 3500 by cheque
- iii. Bought goods on credit from juma for 2500
- iv. Sold goods on credit sh.1000
- v. Sold goods for cash sh.300
- vi. Returned faulty goods to juma for sh.500
- vii. Paid sundry expenses for sh.50
- viii. Paid rent by cheque 500
- ix. Withdrew cash drawings of 500
- x. Closing stock amounted to 1250

Required

- a) Prepare ledger accounts recording the transaction
- b) Prepare a trial balance
- c) Prepare a balance sheet as at 30 May.
- d) Calculate the value of working capital
- e) Prepare the % of :
 - I. Gross profit sales
 - II. Net profit to opening capital

QUESTION FOUR

Mutembei runs a retail Business and has approached you to help him prepare his financial statement. You have prepared the following trial balance from his books

Trial Balance as at 30th June, 2010

DR CR

	Shs	Sh
Capital		100,000
Purchases	300,000	
Carriage inwards	20,000	
Stock opening balance	30,000	
Sales		500,000
Cash discount received		10,000
Cash discount allowed	5,000	
Salaries	10,000	
Licence	2,000	
Equipment	59,000	
Creditors		15,000
Debtors	40,000	
Water/ Electricity	4,000	
Drawings	20,000	
Book balance	130,000	
Cash Balance	<u>5,000</u>	<u> </u>
	<u>625000</u>	<u>625000</u>

Mutembei tells you that he had stock at hand of ksh 40,000 by the end of the accounting period.

Required

- i. Prepare Mutembei's statement of comprehensive income (10 Marks)
- ii. Prepare Mutembei's statement of financial position (10 Marks)

Question five

- a) Explain four theories of accounting **8MKS**
- b) Using examples distinguish between a credit note and a debit note **8 MKS**
- c) Explain four limitations of using Financial accounting **4MKS**