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# **GRE TSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS MAY - AUGUST 2023 SEMESTER**

### **DIPLOMA IN BUSINESS**

**COURSE CODE: DBAC 010**

**COURSE TITLE: INTRODUCTION TO FINANCIAL  
ACCOUNTING I**

**DATE: 31 JULY 2023**

**TIME: 8:00 AM - 11:00 AM**

#### **INSTRUCTIONS TO CANDIDATES**

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

**CAUTION:** All exam rooms are under CCTV surveillance during the examination period.

**SECTION A: COMPULSORY**

**QUESTION ONE**

- a) Briefly explain why owners of a business, employees, customers, lenders and government are interested in how the business has performed financially. **[10 Marks]**
- b) Jojo has obtained a number of items in her business on credit. However, she cannot trace the documents showing the amount she owes the creditors. Help her determine the amount owed to creditors if the business has a pick-up worth sh. 1,000,000, stock of sh. 80,000, Sacco loan of sh. 594,000, premises of sh. 45,000, cash of sh. 12,000, bank account with sh. 38,000, overdraft of sh. 172,000, debtors worth sh. 41,000 and has a capital of sh. 250,000. **[8 Marks]**
- c) D & D Enterprise commenced trading as a wholesaler stationer on 1<sup>st</sup> May 2020 with a capital of 500,000 with which they opened a bank account for the business.

During the month of May the following transactions took place;

- May 1 Bought shop fittings and fixtures from store fitments Ltd for 200,000  
May 2 Purchased goods on credit from Abel 65,000  
May 4 Sold goods on credit to Bruce 70,000  
May 9 Purchased goods on credit from Green 30,000  
May 11 Sold goods on credit to Hill 58,000  
May 13 Cash sales paid into bank account 20,000  
May 16 Received cheque from Bruce in settlement of his account  
May 17 Purchased goods on credit from Kay 80,000  
May 18 Sold goods on credit to Nailor 36,000  
May 19 Sent Cheque to Abel in settlement of his account  
May 20 Paid rent by cheque 20,000  
May 21 Paid delivery expenses by cheque 5,000  
May 24 Received from Hill 20,000 on account  
May 30 Drew cheque for personal expenses 20,000 and assistant wages 32,000  
May 31 Settled the account of Green.

**Required**

Post these transactions on double entry accounts.

**[12 Marks]**

- d) Janjez is a sole trader. At 30<sup>th</sup> June 2022 the following balances were extracted from his books:

<u>ITEM</u>	<u>SHILLINGS</u>
Sales	47,600.00
Purchases	22,850.00
Office expenses	1,900.00
Insurance	700.00
Wages	7,900.00
Rates	2,800.00
Heating and Lighting	1,200.00
Telephone	650.00
Discounts allowed	1,150.00

Stock	500.00
Returns inwards	200.00
Returns outwards	150.00
Premises	40,000.00
Plant and Machinery	5,000.00
Motor Vehicles	12,000.00
Debtors	12,500.00
Bank balance	7,800.00
Creditors	3,400.00
Loan-long term loan	10,000.00
Capital	60,000.00
Drawings for the year	4,000.00

**Required:**

Construct a trial balance, from the above list of balances.

**[10 Marks]**

**SECTION B: ANSWER ANY THREE QUESTIONS**

**QUESTION TWO**

- a) Explain any **four** generally accepted accounting principles. **[8 Marks]**
- b) Exortica Restaurant has the following financial information recorded on 31<sup>st</sup> December 2022; Stock of goods = 134,000, equipment = 85,000, machinery = 182,000, Sagret Sacco short-term loan = 150,000, fixtures & fittings = 12,000, creditors = 197,500, premises = 250,000, cash at bank = 56,000, cash in hand = 4,000, debtors = 2,400 and overdraft = 63,000. Determine the capital of Exortica Restaurant and prepare a statement of financial position. **[12 Marks]**

**QUESTION THREE**

- a) Explain why it is important to study financial accounting course. **[10 Marks]**
- b) Distinguish between a bad debt and a doubtful debt. **[4 Marks]**
- c) Describe any three qualities of useful financial information. **[6 Marks]**

**QUESTION FOUR**

- a) Describe the three components of the accounting equation. **[6 Marks]**
- b) I started a business in February of this year and named it Bora Uhai Investment. My business has the following assets and liabilities as on 31<sup>st</sup> May 2023:

<u>DETAIL</u>	<u>SH.</u>
Creditors	86,800
Equipment	47,000
Motorbike	70,800
Stock	24,600
Debtors	41,000
Cash at bank	18,800
Cash in hand	10,000

During the first week of June 2023, the following transactions took place:

- i. Bought extra equipment on credit for 9,200.
- ii. Bought extra stock by cheque 12,300.
- iii. Paid creditors by cheque 11,160.
- iv. Debtors paid 22,200 by cheque and 10,400 by cash.
- v. I added an extra £1,000 cash as capital.

**Required:** Prepare a balance sheet of my business as at 8<sup>th</sup> April 2023 after the transactions.  
**[14 Marks]**

**QUESTION FIVE**

- a) The trial balance shown below was obtained from Undugu Ltd for the year ended 31<sup>st</sup> December 2022.

Undugu Ltd		
Trial Balance for the year ended 31 <sup>st</sup> December 2022		
	Sh	Sh
Sales		138,078
Purchases	82,350	
Carriage	5,144	
Drawings	7,800	
Rent, rates and insurance	6,622	
Postage and stationery	3,001	
Advertising	<u>1,330</u>	
Salaries and wages	26,420	
Bad debts	877	
Provision for bad debts		130
Debtors	12,120	
Creditors		6,471
Cash in hand	177	
Cash at bank	1,002	
Stock at at 1 June 19X5	11,927	
Equipment	58,000	
Accumulated depreciation		<u>19,000</u>
Capital		<u>53,091</u>
	<u>216,770</u>	<u>216,770</u>

**Required:**

Prepare a trading and profit and loss account for the year ended 31<sup>st</sup> December 2022.

**[12 Marks]**

- b) A firm buys a machine for sh. 200,000 and provides depreciation on machines at 20% p.a. Using reducing balance method calculate the depreciation for the next 3 years.

**[8 Marks]**