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MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS**

**2016/2017 ACADEMIC YEAR**

**SECOND YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS**

**BACHELOR OF COMMERCE**

**COURSE CODE: BCM 1103**

**COURSE TITLE:FOUNDATIONS OF ACCOUNTING I**

**DATE: 24TH APRIL 2017 TIME: 8.30AM-10.30AM**

**INSTRUCTIONS TO CANDIDATES**

* ***Answer question ONE (compulsory) and any other THREE***
* ***Question one carries 25 marks***
* ***All other questions carry 15 marks***

 *This paper consists of 5 printed pages. Please turn over*

**QUESTION ONE**

1. Accounting education is reliable to different individuals. Citing relevant examples explain the different users of financial accounting information **(10 marks)**
2. D Moody has the following assets and liabilities as on 31 April 2002:

 £

Creditors 15,800

Equipment 46,000

Motor Vehicle 25,160

Stock 24,600

Debtors 23,080

Cash at bank 29,120

Cash in hand 160

During the first week of May 2002 Moody:

1. Bought extra equipment on credit for £5,520.
2. Bought extra stock by cheque £2,280.
3. Paid creditors by cheque £3,160.
4. Debtors paid £3,360 by cheque and £240 by cash.
5. Moody put in extra £1,000 cash as capital.

**Required:**

1. Determine the capital as at 1st May 2002.
2. Draw up a balance sheet after the above transactions have been completed. **(10 marks)**
3. A firm may have other incomes apart from that generated from trading (sales). Such incomes include **(5marks)**

#### QUESTION TWO

The accounting profession has for a long time relied on certain accounting conventions to guide accounting practice. Yet the application of the same conventions has been the source of criticism of the quality and relevance of information contained in financial reports.

Some of these conventions include:

1. The business entity principle.
2. The historical cost principle.
3. The monetary principle.
4. The matching principle.
5. The conservatism principle.

#### Required:

For each of the principles listed above:

1. Explain its meaning **(5 marks)**
2. Justify its use. **(5 marks)**
3. Explain any weaknesses associated with its use. **(5 marks)**

**QUESTION THREE**

1. Expenses, these are amounts paid out for services rendered other than those paid for purchases. Discuss the examples in relation to accounting. **(6marks)**
2. H Jumps has the following assets and liabilities as on 30 November 2002:Creditors £39,500; Equipment £115,000; Motor vehicle £62,900; Stock £61,500; Debtors £57,700;Cash at bank £72,800 and Cash in hand £400.

Compute the balance on the capital account as at 30 November 2002.

During the first week of December 2002, Jump:

1. Bought extra equipment on credit for £13,800.
2. Bought extra stock by cheque £5,700.
3. Paid creditors by cheque £7,900.
4. Received from debtors £8,400 by cheque and £600 by cash.
5. Put in an extra £2,500 cash as capital.
6. You are to draw up a balance sheet as on 7 December 2002 after the above transactions have been completed. **(9marks)**

**QUESTION FOUR**

1. The following transactions took place during the month of May:

2003

May 1 Started firm with capital in cash of £250.

“ 2 Bought goods on credit from the following persons: R Kelly £54; Pombs £87; J Role £25; D Mobile £76; I. Sims £64.

“ 4 Sold goods on credit to: C Blanes £43; B Long £62; F Skin £176.

“ 6 Paid rent by cash £12.

“ 9 C Blanes paid us his account by cheque £43.

“ 10 F Skin paid us £150 by cheque.

“ 12 We paid the following by cheque: J Role £25; R Kelley £54.

“ 15 Paid carriage by cash £23.

“ 18 Bought goods on credit from P Combs £43; Mobile £110.

“ 21 Sold goods on credit to B Long £67.

“ 31 Paid rent by cheque £18.

**Required:**

Prepare a trial balance as at 31/5/2003 **(15marks)**

###### QUESTION FIVE

Mr J Ockey commenced trading as a wholesaler stationer on 1 May 2000 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 11Sold goods on credit to Hill £580.00

May 13Cash sales paid into bank account £200.00

May 16Received cheque from Bruce in settlement of his account

May 17Purchased goods on credit from Kay £800.00

May 18Sold goods on credit to Nailor £360.00

May 19Sent Cheque to Abel in settlement of his account

May 20Paid rent by cheque £200.00

May 21Paid delivery expenses by cheque £50.00

May 24Received from Hill £200.00 on account

May 30Drew cheque for personal expenses £200.00 and assistant wages £320.00

May 31Settled the account of Green.

**Required:**

1. Post the entries in the ledger accounts **(5marks)**
2. Balance the ledger accounts where necessary **(5marks)**
3. Extract a trial balance as at 31 May 2000. **(5marks)**