



# UNIVERSITY EXAMINATIONS

**SECOND SEMESTER 2023/2024 ACADEMIC YEAR**

**FIRST YEAR EXAMINATION FOR THE DEGREE OF  
BACHELOR OF SCIENCE IN (ICT)**

**BUST 121: FUNDAMENTALS OF ACCOUNTING**

***STREAM: R***

***TIME: 2 HRS***

***DAY: MONDAY [11.30A.M – 1.30 P.M]*      *DATE: 15/04/2024***

**THIS QUESTION PAPER CONSISTS OF FOUR (4) PAGES**

**PLEASE DO NOT OPEN UNTIL THE INVIGILATOR SAYS SO.**

**INSTRUCTIONS: Answer question ONE which is compulsory and any other TWO questions.**

**QUESTION ONE (30 MARKS)**

- (a) Differentiate between the following terms used in accounting
  - i) A debit entry and a credit entry **(2 Marks)**
  - ii) Return inwards and return outwards **(2 Marks)**
  - iii) An asset account and a liability account **(2 Marks)**
  - iv) An expense account and a revenue account **(2 Marks)**
  - v) A trial balance and a balance sheet **(2 Marks)**

(b) The following is a trial balance of ABC Ltd

	Shs	shs
Stock 1 Jan 2009	2,368,000	
Carriage inwards	200,000	
Carriage outwards	310,000	
Return outwards	205,000	
Return inwards		322,000
Purchases	11,870,000	
Sales		18,600,000
Rent	3,862,000	
	Shs	shs
Salaries and wages	304,000	
Insurance	78,000	
Motor expenses	216,000	
Lighting and heating expenses	166,000	
General expenses	314,000	
Premises	500,000	
Motor vehicle	1,800,000	
Debtors	3,896,000	
Fixtures and fittings	350,000	
Creditors		1,731,000
Cash at bank	482,000	
Drawings	1,200,000	
Capital		8,132,000
	28,785,000	28,785,000
Stock at 30 December 2009 was shs	2,946,000.	

Required a statement of comprehensive income for the year 31<sup>st</sup> Dec and statement of financial position

as at 31/12/2009

**(20 Marks)**



**QUESTION TWO (20 MARKS)**

(a) Define the following words as used in business

- |                         |                  |
|-------------------------|------------------|
| 1 :Business transaction | <b>(2 Marks)</b> |
| 2 : Credit transactions | <b>(2 Marks)</b> |
| 3 :Initial capital      | <b>(2 Marks)</b> |
| 4 : Final capital       | <b>(2 Marks)</b> |
| 5 : Drawings            | <b>(2 Marks)</b> |

(b) Outline 4 circumstances under which the capital of a business may change. **(4 Marks)**

(c) The following information was extracted from the book lima ltd for the year 2006 ( **6 Marks**)

- ( i ) Initial capital as at 1/01/2006 –shs 200,000
- (ii) Made a net loss of sh 50,000
- (iii) The proprietor invested into the business from her personal saving sh.600, 000
- (iv) The proprietor withdrew in cash for her personal use sh. 250,000

Required.

Using the final capital formula, determine the final capital as at 31/12/06.

**QUESTION THREE (20 MARKS)**

- |  |                   |
|--|-------------------|
| a) Outline <b>five</b> basic accounting concepts             | <b>(5 Marks)</b>  |
| b) Explain <b>five</b> contents of partnership agreements    | <b>(10 Marks)</b> |
| c ) Outliner <b>five</b> advantages of ratios to an investor | <b>(5 Marks)</b>  |

**QUESTION FOUR (20 MARKS)**

a) Links set up a new business .Before he actually sells anything he has bought motor vehicle of sh 3, 000, premises of sh 7,000, stock of goods sh 2000.He still owes sh 800 in respect of them He had borrowed sh 4,000 from Divans After events just described and before trading starts, he had sh 300 cash in hand and sh 600 cash at book.

You are required to calculate the amount of his capital **(4 Marks)**

- |  |                   |
|--|-------------------|
| b) Discuss five factors affecting goodwill in business                                   | <b>(10 Marks)</b> |
| c ) Differentiate between receipts and payments account, income and Expenditure accounts | <b>(6 Marks)</b>  |



**QUESTION FIVE (20 MARKS)**

Prepare a two-column cash book from the following details and balance off as at the end of the month.

2003

May 1 – started business with capital in cash sh 1,000

May 2 – Paid rent by cash sh 100

May 3 - Fluke lent at sh 5000 paid by cheque

May 4 – We paid B mckenzie by cheque sh 650

May 5 – Cash sale sh 980

May 7 - N miller paid us by cheque sh 620

May 9 - We paid B Burton in cash sh 220

May 11 - Cash sales paid direct into the bank sh 530

May 15 - G . maores paid us in cash sh 650

May 16 - We took nsh 500 out of the cash bill and paid the bank account.

May 19 - We repaid F. lake sh 1,000 by cheque

May 22 – Cash sales paid direct into the bank sh 660

May 26 - Paid motor expenses by cheque sh 120

May 30 - withdrew sh 1000 cash from the bank for business.

May 31 - paid wages in cash 970

**(20 Marks)**

