



## MASENO UNIVERSITY UNIVERSITY EXAMINATIONS 2025/2026

FIRST YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE ACCOUNTING AND FINANCE, BACHELOR OF BUSINESS ADMINISTRATION, BACHELOR OF EDUCATION ARTS, BACHELOR OF SCIENCE IN AGRIBUSINESS, BACHELOR OF ARTS ECONOMICS, BACHELOR OF APPLIED ECONOMICS AND STATISTICS, BACHELOR OF PROCUREMENT AND SUPPLIES AND BACHELOR OF HUMAN RESOURCE MANAGEMENT WITH INFORMATION TECHNOLOGY

### MAIN CAMPUS

### BFA 111/BAF 101: PRINCIPLES OF ACCOUNTING/ INTRODUCTION TO ACCOUNTING I

Date: 5<sup>th</sup> January, 2026

Time: 12.00 - 3.00pm

#### INSTRUCTIONS:

- Do not write anywhere on this Question paper
- Answer Question ONE and any other TWO.
- Show ALL your workings
- Begin each new question on a fresh page.

**\*Question One - COMPULSORY**

(a) What are accounting concepts? Mention at least five concepts explaining how they guide the practice of accounting (6 marks)

(b) Explain the meaning of the term special journals and use the information below to open the relevant/necessary special journals:

**Transactions for the month of April, 2024:**

1.4.2024: Sales to Biko shs 2,750

1.4.2024: Purchases from Wambua shs 4,200

3.4.2024: Purchases from Kimani shs 8,000

4.4.2024: Cash purchases shs 3,000

6.4.2024: cash sales shs 7,200

9.4.2024: Purchases from Otieno shs 4,300

10.4.2024: Returned part of goods purchased from Otieno shs 300

14.4.2024: Sold goods to Njuguna shs 6,500

17.4.2024: Njuguna returns goods shs 400

19.4.2024: Sold goods to Biko shs 10,000, part payment shs 5,000 received

22.4.2024: Sold goods Jakarta shs 4,200

23.4.2024: Jakarta returns goods shs 400

(10 marks)

(c) Journalise the following transactions, post in the ledger and extract the Trial Balance:

Commenced business with cash shs 250,000, furniture shs 70,000 on 1.7.2024.

2.7.2024: Purchased goods shs 40,000, Purchased goods from Otieno shs 15,000 and sold goods to Mogaka shs 5,000

3.7.2024: sold goods shs 7,500, Sold goods to Kimani shs 22,000, made purchases shs 4,000, bought more furniture for business shs 20,000

4.7.2024: bought a Motor vehicle from Hussein Motors shs 200,000

6.7.2024: Sold goods to Mogaka shs 20,000, cash sales shs 12,000

9.7.2024: Purchases from Luanda Enterprises shs 35,000

11.7.2024: received cash from Mogaka shs 4,000, Kimani shs 14,000 and allowed a discount shs 1,000

14.7.2024: Luanda enterprises is paid shs 20,000

15.7.2024: Hussein Motors is paid shs 30,000

(14 marks)

### Question Two

The following trial balance was extracted from the ledger of Mr. Jakata Biashara, a sole proprietor, as at 31 December, 2021 – the end of his financial year.

**Jakata Biashara**

#### Trial Balance as at 31 December, 2021

	Dr	Cr
buildings, at cost	120,000	
Equipment, at cost	80,000	
Purchases	250,000	
Sales		402,200
Discount allowed	18,000	
Inventory, as at 1 January 2021	50,000	
Discount received		4,800
Returns Outwards		15,000
Salaries	58,800	
Bad debts	4,600	
Loan interest	5,100	
Other operating expenses	17,700	
Debtors	38,000	
Cash in hand	300	
Bank	1,300	
Drawings	24,000	
Creditors		36,000
Rent	12,000	
Commission received		30,000
Capital, as at 1 January 2021		191,800
	679,800	679,800

#### Additional information;

- i. Inventory as at the close of business has been valued at cost at Kshs.42,000.
- ii. Accrued Salaries amounted to Kshs.800.
- iii. Other operating expenses are prepaid by Kshs.300.
- iv. Depreciation for the year ended 31<sup>st</sup> December 2021 to be provided for as follows.
  - Buildings: 10% per annum on cost
  - Equipment: 25% per annum on cost

#### Required

Prepare Jakata Biashara's;

- (i) Income statement for the year ended 31<sup>st</sup> December, 2021 (12 marks)
- (ii) Statement of financial position as at 31<sup>st</sup> December, 2021. (8 marks)

**Question Three**

At the year-end of Jitahidi Enterprises, an imbalance in the trial balance was revealed which resulted in the creation of a suspense account with a credit balance of Kshs.104,000.

Investigations revealed the following errors;

- (i) A sale of goods on credit for Kshs.100,000 had been omitted from the sales account.
- (ii) Delivery and installation costs of Kshs.24,000 on a new item of plant had been recorded as a purchase of goods.
- (iii) Cash discount of Kshs.15,000 on paying a supplier, Mali Mali Traders, had been taken, even though the payment was made outside the time limit.
- (iv) Inventory of stationery at the end of the period of Kshs.24,000 had been ignored.
- (v) A purchase of raw materials of Kshs.35,000 had been recorded in the purchases account as Kshs.85,000.
- (vi) The purchase returns day book included a sales credit note for Kshs.23,000 which had been entered correctly in the account of the customer concerned, but included with purchase returns in the nominal ledger.

**Required**

- (a) Prepare journal entries to correct each of the above errors. (9 marks)
- (b) Suspense account to reflect the corrections to be made. (5 marks)

**Question Four**

- (a) Financial information plays a critical role in making informed business decisions. However, such information has limitations and weaknesses. Explain three such shortcomings. (6 marks)
- (b) The bank statement of Jarida Enterprises as at 30 June 2023 showed an overdraft of Sh.2,324,000 while the bank balance as per the cash book showed a credit balance of Sh.1,108,000.

The following extract from the cash book of Jarida Enterprises for the month of June 2023 was provided:

**Cash book (extract)**

Sh.“000”	Sh.“000”
Receipts during the month	2,938
Balance c/d	1,108
<b>4,046</b>	<b>4,046</b>
Balance b/d	1,522
Payments during the month	2,524

Upon investigation, the following matters were discovered:

1. A cheque received for Sh.160,000 had been returned unpaid. No adjustment had been made in the cash book.
2. During the month of June 2023, dividends amounting to Sh.124,000 were credited directly into the bank account, but no entries had been made in the cash book.
3. A cheque drawn for Sh.12,000 had been incorrectly entered in the cash book as Sh.132,000. *120,000*

4. The balance brought forward as per the above cash book was overstated by Sh.100,000.
  5. Bank charges amounting to Sh.272,000 appeared in the bank statement only.
  6. Cheques drawn amounting to Sh.554,000 had not been presented to the bank for payment.
  7. Cheques received totalling Sh.1,524,000 had been entered in the cash book and deposited in the bank, but were not credited until 5 July 2023.
  8. A cheque for Sh.54,000 had been entered as a receipt in the cash book instead of a payment.
  9. A cheque for Sh.50,000 had erroneously been debited by the bank into Jarida Enterprises' account.

**Required:**

- Required:**

(i) The adjusted cash book balance as at 30 June 2023. (8 marks)  
(ii) Bank reconciliation statement as at 30 June 2023. (6 marks)

## Question Five

- (a) Explain five benefits of maintaining control accounts in a business organization. (5 marks)

(b) The following balances were extracted from the books of Muhuri Agencies for the month of July 2023:

**Required:**

- quired:

  - (i) Sales ledger control account for the month ended 31 July 2023. (8 marks)
  - (ii) Purchases ledger control account for the month ended 31 July 2023. (7 marks)