



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: 5th 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 Jakata shs 4,200

23.4.2024: Jakata 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		
Equipment, at cost	120,000	
Purchases	80,000	
Sales	250,000	
Discount allowed		402,200
Inventory, as at 1 January 2021	18,000	
Discount received	50,000	
Returns Outwards		4,800
Salaries		15,000
Bad debts	58,800	
Loan interest	4,600	
Other operating expenses	5,100	
Debtors	17,700	
Cash in hand	38,000	
Bank	300	
Drawings	1,300	
Creditors	24,000	
Rent		36,000
Commission received	12,000	
Capital, as at 1 January 2021		30,000
		191,800
	679,800	679,800

Additional information;

- Inventory as at the close of business has been valued at cost at Kshs.42,000.
- Accrued Salaries amounted to Kshs.800.
- Other operating expenses are prepaid by Kshs.300.
- Depreciation for the year ended 31st 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;

- Income statement for the year ended 31st December, 2021 (12 marks)
- Statement of financial position as at 31st 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 b/d	1,522
Balance c/d	1,108	Payments during the month	2,524
4,046		4,046	

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.

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:

- (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:

	KShs"000"
Debit balances: (1 July 2023) Sales ledger	1,428,000
(1 July 2023) Purchases ledger	10,500
Credit balances: (1 July 2023) Sales Ledger	40,500
(1 July 2023) Purchases Ledger	553,800
Discounts received	142,500
Payments to trade payables	1,159,200
Credit notes received from trade payables	26,700
Discounts allowed	209,700
Purchases (including cash purchases of Sh.152,000)	1,334,000
Cash sales	618,000
Credit notes issued to customers	75,000
Interest charged on customers' overdue accounts	96,100
Debt collection expenses charged to trade receivables	10,800
Contra settlements	36,900
Interest charged by trade payables on overdue accounts	69,000
Credit sales	2,068,200
Receipts from trade receivables	1,578,000
Bad debts written off	37,200
Customer's dishonoured cheques	26,100
Balances as at 31 July 2023: Purchases ledger (Debit)	14,400
Sales ledger (Credit)	50,700

Required:

- (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)