

**CHUKA****UNIVERSITY****UNIVERSITY EXAMINATIONS****EXAMINATION FOR THE AWARD OF DEGREE OF DOCTOR OF PHILOSOPHY  
IN****EAPE 916: MANAGEMENT OF FINANCIAL RESOURCES****STREAMS: PhD****TIME: 3 HOURS****DAY/DATE: FRIDAY 20/12/2019****2.30 P.M. – 5.30 P.M.****INSTRUCTIONS:**

- **Answer ALL questions.**

- Q1. (a) Explain the concept of double entry. Give relevant examples. (3 marks)
- (b) The following information was drawn from the records of SM traders for the period ending 31<sup>st</sup> January 2019.

Debit balances as on January 1, 2019

Cash in hand	Kshs. 8,000
Cash at bank	Kshs. 25,000
Stock of goods	Kshs. 20,000
Furniture	Kshs. 2,000
Buildings	Kshs. 10,000
Sundry debtors	
Vijay	Kshs. 2,000
Anil	Kshs. 1,000
Madhu	Kshs. 2,000

Credit balances on January 1, 2019

Sundry creditors – Anand	Kshs. 5,000
Loan from Bablu	Kshs. 10,000
Capital	Kshs. 55,000

The following were further transactions in the month of January 2019.

- Jan 1 Purchased goods worth Kshs 5,000 for cash
- 4 Received Kshs 1,980 from Vijay and allowed him Kshs. 20 as discount

- 6 Purchased goods from Bharat Kshs 5,000  
 8 Purchased plant from Mukesh for Kshs. 5,000 and paid Kshs 100 as carriage for bringing the plant to the factory and another Ksh 200 as installation charges.  
 12 Sold goods to Rahim on credit Kshs 600  
 15 Rahim became insolvent and could pay only Kshs 300  
 18 Sold goods to Ram for cash Kshs. 1,000  
 20 Paid salary to Ratan Kshs. 2,000  
 21 Paid Anand Kshs 4,800 in full settlement  
 26 Interest received from Madhu Kshs 200  
 28 Paid Bablu interest on loan Kshs. 500  
 31 Sold goods for cash Kshs. 500  
 31 Withdraw goods from business for personal use Kshs 200

**Required**

- (i) Record the transaction in the relevant accounts in the ledger  
 (ii) Balance off the account  
 (iii) Prepare a trial balance (12 marks)

Q2. The following Trail Balance of Naresh traders for the year ended 31<sup>st</sup> June 2019

	Debit	Credit
Capital		350,000
Stock on 1 <sup>st</sup> July 2018	30,000	
Sales		200,000
Carriage	4,000	
Freight and custom duty	6,000	
Purchases	190,000	
Salaries	15,000	
Income tax	10,000	
Sundry Debtors and creditors	24,000	
Cash at bank	20,200	
Cash at hand	5,000	
Furniture	1,800	
Life insurance premium	5,000	
Sales tax	5,000	
Buildings	180,000	
Drawings	68,000	
Office expenses	2,000	
Discount received		<u>2,000</u>
	<u>566,000</u>	<u>566,000</u>

Additional information

1. Closing stock 80,000 and stationary 200

2. Some employees are residing in premises of business. Rent receivable in arrears is Kshs 200
3. Salaries include a sum of kshs 500 which is advanced salary
4. Depreciate buildings at 5% and furniture at 10% P.A.

**Required**

- (i) Prepare a trading profit and loss account
  - (ii) Prepare a balance sheet as at 31<sup>st</sup> June 2019 (15 marks)
- Q3. (a) Identify and discuss with relevant illustration four types of errors that could be made by an account officer but may not be revealed by the Trial Balance. (8 marks)
- (b) The following errors are detected in the books of Pradeep entrepreneurs. Pass necessary journal entries for their rectification
- (i) Kshs 400 paid on account of the tuition fee of the proprietor's daughter, has been debited to the general expenses account.
  - (ii) Kshs 1,450 paid as salary to a clerk posted as Kshs 1,250 to the salary account.
  - (iii) An item of Kshs 750 for goods sold to Anuna debited to Kruna.
  - (iv) Ksh 2,000 received in respect of bad debts but posted as cash sales
  - (v) Discount Kshs 50 allowed by Rajesh omitted to be entered in the column of the cash book.
  - (vi) Kshs 200 received as commission, debited to commission account.
  - (vii) A credit purchase of Kshs. 375 from Mohit and Co. has been entered in purchases book but the payment subsequently made to them has not been debited to their personal account.
- (7 marks)
- Q4. (a) From the following particulars prepare a bank reconciliation statement as at 31<sup>st</sup> December 2018 for Muthomi secondary school who had cash at bank as per cash book of Kshs 10,500.40 and as per bank statement Kshs. 12,350.60

(a) The following cheques were deposited on 30<sup>th</sup> and 31<sup>st</sup> December but were not cleared by 31<sup>st</sup> December 2018.

(i) Kshs 200.15

(ii) Kshs 400.15

(iii) Kshs 400.10

(b) The following cheques were issued but not cashed by 31<sup>st</sup> December 2018

(i) Kshs. 500.50

(ii) Kshs. 300

(iii) Kshs. 400

(iv) Kshs. 139

(c) Bank collected a bill of Ksh 1,500 on 31<sup>st</sup> December 2018 but the intimation was received by the school on 1<sup>st</sup> January 2019.

(d) The bank allowed interest of Kshs 31 and a commission was charged Kshs. 19.90 on 31<sup>st</sup> December 2006. (7

marks)

(b) Discuss the importance of studying financial accounting for educational administrators. (8 marks)

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