**RCM ONLINE COLLEGE**

**SEPTEMBER DECEMBER SEMESTER**

**ATD 1**

**INTRODUCTION TO FINANCIAL ACCOUNTING CAT 2**

1. A credit balance on a ledger account indicates
2. An asset or an expense
3. Liability or an expense
4. An amount owing to the organisation
5. A liability or revenue
6. A company has the following share capital:

Sh. 100 each ordinary shares Sh. 40,000,000

6% preference shares Sh. 10,000,000

In addition to providing for the year’s preference dividend, an ordinary dividend of Sh.2 per share is to be paid. Compute the total dividends (preference and ordinary) for the year:

1. Sh. 800,000
2. Sh. 1,000,000
3. Sh. 600,000
4. Sh. 1,400,000
5. Tamul traders received a cash advance of Sh. 500,000 from a customer. As a result of this event:
6. Assets increased by Sh. 500,000 (Debited)
7. Equity increased by Sh. 500,000 (Credited)
8. Liabilities decreased by Sh. 500,000 (Debited)
9. Both assets and equity increased by Sh. 500,000 (Debited and credited)
10. In the first month of operation, the total of the debit entries to the cash account amounted to Sh. 300,000 and the total of the credit entries to the cash account amounted to Sh.180,000. The cash account has a
11. Sh. 180,000 credit balance
12. Sh. 300,000 debit balance
13. Sh. 120,000 debit balance
14. Sh. 180,000 credit balance
15. If the insurance premium paid is Sh. 100,000 and prepaid insurance as at the year end is Sh.30,000. The amount of insurance premium shown in the profit and loss account will be 
16. Sh. 130,000
17. Sh. 100,000
18. Sh. 30,000
19. Sh. 70,000
20. Addy Ltd. has current assets of Sh. 5,000,000 and total assets of Sh. 15,000,000. Addy Ltd. has current liabilities of Sh. 3,000,000 and total liabilities of Sh. 8,000,000. What is the amount of Addy Ltd.’s owner’s equity?
21. Sh. 2,000,000
22. Sh. 3,000,000
23. Sh. 7,000,000
24. Sh. 12,000,000
25. The following extracts were obtained from the income statement of Massa Traders for the year ended 31 December 2022:

**Sh.**

Discount received 14,500

Administrative expenses 55,600

Gross profit 281,100

Discounts allowed 10,000

What it the net profit or loss for Massa Traders?

1. 285,600
2. 211,000
3. 230,000
4. 295,600
5. ABC Company sells 400 units of inventory for a Sh. 40 each. The inventory originally cost Sh. 26 per item. What is ABC Company’s gross profit on this transaction?
6. Sh. 16,000
7. Sh. 10,400
8. Sh. 5,600
9. Sh. 9,600
10. A sole proprietor made sales worth Sh. 12, 000,000. He incurred Sh. 5,000,000 as cost of goods sold and Sh. 2,000,000 as operating expenses. How much gross profit did he earn?
11. Sh. 5,000,000
12. Sh. 7,000,000
13. Sh. 12,000,000
14. Sh. 17,000,000
15. A trader buys goods for Sh. 500,000 less 20% trade discount. If he settles his account three months later, he would pay ?
16. Sh. 500,000
17. Sh. 450,000
18. Sh. 400,000
19. Sh. 360,000

**Use the following information to answer Question 11 to Question 15**

Given the following fundamental accounting principles: business entity principle, going concern principle, revenue recognition principle, prudence principle, objectivity principle, cost principle and materiality principle; match each of them with the statement that explains them best:

1. It is assumed from a review of AJ Ltd.’s financial statements that the business is continuing with its operations, because contrary information is not included
2. Going concern principle
3. Objectivity principle
4. Prudence principle
5. Materiality principle
6. Hali Ltd. purchased a cleaning machine from a supplier at Sh. 600,000 on credit, but it was recognized as a sale in the books of the suppliers
7. Prudence principle
8. Business entity principle
9. Cost principle
10. Revenue recognition principle
11. Amina Moraa the director Ajabu Ltd. must not include personal expenses as business expenses
12. Cost principle
13. Revenue recognition principle
14. Business entity principle
15. Prudence principle
16. New furniture is purchased, the accountant records the transaction based on the invoice prepared by seller which is independent and unbiased
17. Prudence principle
18. Objectivity principle
19. Cost principle
20. Going concern principle
21. Miwani Ltd. purchased furniture for Sh. 500,000. Its recorded as Sh. 500,000 although its value in the market is Sh. 650,000
22. Business entity principle
23. Revenue recognition principle
24. Objectivity principle
25. Cost principle
26. Nathaniel’s books of account provide the following balances:

**Sh.**

Opening inventory 1,305,000

Carriage inwards 180,000

Purchases 5,760,000

Purchases returns 382,500

Goods taken for personal use 180,000

Closing inventory 1,417,000

What is the cost of sale?

1. Sh. 5,647,500
2. Sh. 5,265,500
3. Sh. 5,445,000
4. Sh. 5,827,500
5. The entries in a sale ledger control account were as follows:

**Sh.**

Sales return 97,500

Sales (credit sales) 3,750,000

Dishonoured cheques 67,500

Purchases control set off 60,000

Receipts from debtors 3,375,000

What is the balance on the sales ledger control account?

1. Sh. 150,000
2. Sh. 375,000
3. Sh. 285,000
4. Sh. 225,000
5. Ryan, Jayden and Dora started a partnership business on 1 July 2022, sharing profits in the ratio of 3:2:1 respectively. They contributed Sh. 30,000,000, Sh. 15,000,000 and Sh. 10,000,000 in the fixed capital account and 10% of each of their fixed capital, in the current accounts. The partnership deed provides interest on fixed capital at a rate of 10% per annum. Each partner receives an annual salary of Sh. 2,000,000.

The following additional information is available:

**Sh.**

Gross profit 27,000,000

Operating expenses (including partner’s salaries) 2,000,000

**Required:**

Partners current Accounts as at 30 June 2023.

1. Ryan Sh. 3,000,000, Jayden Sh. 1,500,000, Dora Sh. 1,000,000
2. Ryan Sh. 8,750,000, Jayden Sh. 5,500,000, Dora Sh. 4,250,000
3. Ryan Sh. 8,000,000, Jayden Sh. 5,000,000, Dora Sh. 4,000,000
4. Ryan Sh. 6,000,000, Jayden Sh. 3,000,000, Dora Sh. 2,000,000
5. The following information relates to Kawaida Ltd. for the year ended 30 June 2023:

**Sh.**

Net profit before tax 21,782,000

Tax payable as at 1 July 2022 1,200,000

Tax payable as at 30 June 2023 1,800,000

Tax paid 1,000,000

Dividend for the year – Interim 2,000,000

- Final 4,000,000

Net profit as at 1 July 2022 12,150,000

Determine the retained profit as at 30 June 2023.

1. Sh. 26,332,000
2. Sh. 14,182,000
3. Sh. 33,932,000
4. Sh. 20,182,000
5. The following information relates to the equity account of Kijani Kibichi Limited for the year ended 31 March 2023:

**Sh. “000”**

Ordinary shares at Sh.100 each (par value) 50,000

10% preference shares 20,000

Share premium 10,000

The director provided for preference share dividends and Sh. 2 per share for ordinary dividends. What are the total dividends payable for the year ended 31 March 2023?

1. Sh. 3,000,000
2. Sh. 12,000,000
3. Sh. 7,000,000
4. Sh. 4,000,000
5. The following balances relate to the books of Miganih Limited as at 30 June 2023:

**Sh.”000”**

Plant and Machinery 89,000

Land and buildings 120,000

Inventory 4,600

Accounts payable 6,300

Accounts receivable 5,900

Bank overdraft 790

Loan 4,000

Capital 100,000

Drawings 23,000

Sales 330,000

Purchases 165,000

Sales returns 7,000

Discount allowed 3,200

Discount received ?

Sundry expenses 73,890

Determine the value of discount received omitted from the records

1. Sh. 1,900,000
2. Sh. 9,500,000
3. Sh. 4,500,000
4. Sh. 15,900,000
5. Which of the following is **NOT** a book of original entry?
6. Cash book
7. Sales daybook
8. Return outward journal
9. Purchases ledger
10. Which of the following users of accounting information will be interested in management accounting information?
11. Financial institutions
12. Shareholders
13. Managers
14. Revenue Authority
15. Non-current assets are those assets held by a business for
16. Converting into cash
17. Revenue generation
18. Resale in the ordinary course of business
19. Production of goods and services
20. Which of the following errors might cause the trial balance **NOT** to balance?
21. Errors of transposition
22. Error of omission
23. Error of principle
24. Error of computation