

The
Management
University
of Africa



Sponsored by the Kenya Institute of Management

DIPLOMA UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DIPLOMA COMMON UNIT

**DCU 102: INTRODUCTION TO FINANCIAL AND COST
ACCOUNTING**

DATE: 4TH AUGUST 2026

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **FOUR** questions.
6. Question **ONE** carries **30 Marks** and the rest carry **10 Marks** each.
7. **Write all your answers in the examination answer booklet provided.**

QUESTION ONE

Below is the trial balance of Miss Jane as at 31st December 2025.

	Debit (Kshs)	Credit (Kshs)
Bank	36,766	
Accounts receivable	165,210	
Provision for doubtful debtors		4,729
Land	150,000	
Premises	360,000	
Provision for depreciation of premises		39,000
Equipment	52,120	
Provision for depreciation of Equipment		15,450
Accounts payable		114,432
Capital		259,920
Drawings	48,000	
Loan		225,000
Sales		634,500
Purchases	251,025	
Sales returns	2,325	

Purchases returns		9,060
Stock on 1.1.25	36,300	
Electricity	3,345	
Discounts allowed	3,630	
Discounts received		6,400
Motor expense	2,370	
Salary expense	162,000	
Insurance expense	23,100	
Bad debts	2,130	
General expense	10,170	
	1,308,491	1,308,491

Additional information:

Additional information as at 31st December 2025

- i) Closing stock was Kshs 80,000.
- ii) A salary expense of Kshs 2,000 was prepaid.
- iii) A motor vehicle expense of Kshs 50,000 was accrued.
- iv) Premises and Equipment were depreciated at 10% on straight line basis.

Required:

- a) Discuss the significance of trial balance, statement of profit and loss and statement of financial position. **(9**

Marks)

- b) Prepare a statement of profit and loss for the period ended 31 December 2025.

(10 Marks)

c) Prepare statement of financial position as at 31 December 2025.

(11 Marks)

QUESTION TWO

Cain and Abel are in partnership sharing profits and losses in the ratio of 1:1. The following is their trial balance as at 30 June 2003.

	Dr (£)	Cr (£)
Buildings	750,00 0	
Provision for depreciation: Buildings		250,00 0
Fixtures at cost	110,00 0	
Provision for depreciation: Fixtures		33,000
Debtors	162,43 0	
Creditors		111,50 0
Cash at bank	6,770	
Stock	543,54 0	

Net profit		233,70 0
Provision for bad debts		4,000
Loan		400,00 0
Capitals:		
Cain		350,00 0
Abel		295,00 0
Current accounts:		
Cain		13,060
Abel		2,980
Drawings:		
Cain	64,000	
Abel	56,500	
	1,693, 240	1,693, 240

Additional information

- a) Stock as at 30th June 2023, £563,400
- b) Partnership salary: £8,000 to Cain.
- c) Interest on drawings: Cain£1,800; Abel £1,200.
- d) Interest on capital account balances at 10 per cent.

Required:

- a) Prepare a statement of profit or loss for the year ended 30th June 2023.
(5 Marks)
- b) Prepare a Partners' capital and current accounts. (5 Marks)

QUESTION THREE

- a) Explore two methods of pricing issues of materials in inventory management.
(4 Marks)
- b) Stores data are provided as follows.

Materials Received			Materials Issued	
Date	Units	Unit Rate (Shs)	Date	Units
2021			2021	
01-Jul	500	5	04-Jul	1,500
03-Jul	2,500	6	06-Jul	1,000
12-Jul	1,500	5	15-Jul	750

- Prepare a stores ledger account using LIFO method. (6 marks)

QUESTION FOUR

- a) Assess how fundamental accounting concepts enhance the reliability and comparability of accounting information.

(5 Marks)

- b) Evaluate how financial reports support users' economic decisions. **(5 Marks)**

QUESTION FIVE

- a) Evaluate the relationship between the accounting equation and the double-entry system.

(4 Marks)

- b) Differentiate between public and private companies. **(6 Marks)**

QUESTION SIX

- a) Evaluate the usefulness of ratio analysis in interpreting financial statements.

(5 Marks)

- b) Analyse the significance of cost accounting in planning, control, and decision-making within an organization.

(5 Marks)