



AMREF INTERNATIONAL UNIVERSITY
SCHOOL OF PUBLIC HEALTH
DEPARTMENT OF HEALTH SYSTEMS MANAGEMENT AND DEVELOPMENT
BSC HEALTH SYSTEMS MANAGEMENT AND DEVELOPMENT
END OF FIRST SEMESTER EXAMINATION SEPTEMBER -DECEMBER 2023
HMD 121 BASIC ACCOUNTING IN HEALTH

TIME: Two Hours

Date : 10th December 2023

TIME : Two (2) Hours Start-----4.15PM-----6.15PM.....

INSTRUCTIONS TO CANDIDATES

- 1) This exam is out of 70 marks
- 2) Section-A is compulsory with a Total of 30 Marks
- 3) Answer any TWO (2) questions in Section B

Read carefully the additional instructions preceding each section.

SECTION A

SHORT ANSWER QUESTIONS – TOTAL of 30 MARKS

Question 1

- a) Indicate whether each of the following items belonging to a hospital is an asset, liability, owners' equity, revenue or expense:
- Debtors (0.5 Marks)
 - Bankoverdraft (0.5 Marks)
 - Motor vehicle (0.5 Marks)
 - Wages (0.5 Marks)
 - Creditors (0.5 Marks)
 - Sales (0.5 Marks)
 - Capital (0.5 Marks)
 - Stock(0.5 Marks)
 - Rental income(0.5 Marks)
 - X-ray machine (0.5 Marks)

- b) Define the following financial statements (4 marks)
- Income statement (? Marks)
 - Cash flow statement (? Marks)

- c) Outline the following accounting concepts (4 marks)
- Business entity concept (? Marks)
 - Realisation concept (? Marks)

- d) The items below were extracted from the books of a small pharmacy in a rural area on 31 August 2023.

Item	Value (Ksh.)
Capital	100,000
Debtors	9,000
Creditors	13,000
Stock	40,000
Cash in hand	5,000
Premises	90,000
Bank loan	100,000
Furniture	69,000

- Prepare the balance sheet as at 31 August 2023. (5 marks)

- e) Assume that a hospital manager purchased an ambulance for Ksh 12,000,000 on 1 January 2020. Calculate the net book value of the ambulance on 31 December 2023
- a) using 20% straight-line. (3 marks)
 - b) using 20% reducing balance. (3 marks)

f) Alan Ltd commences a business in health sector on 1 January with a cash balance of Ksh 2,000,000. From the following forecast information, prepare a monthly cash budget from January to June. Indicate the maximum overdraft required and when it will occur:

- Purchases: Ksh 4,000,000 in January, Ksh 2,000,000 per month thereafter. One-month credit is taken from suppliers.
- Sales: Ksh 3,000,000 per month. Two months credit is given to customers.
- Expenses: Ksh 200 per month, payable in the month incurred

(6 marks)

SECTION B

LONG ANSWER QUESTIONS: ANSWER ANY TWO (2) QUESTIONS

EACH QUESTION HAS 20 MARKS

Question 2

Determine the effect of the following transactions on the balance sheet of a private small pharmacy.

On 1st October 2023, Richard started a pharmacy with Ksh 800,000 in cash.

On 3rd October 2023, Richard took a SACCO loan of Ksh 200,000 in cash

On 8th October 2023, Richard opened a business bank account using Ksh 300,000 from the cash box

On 15th October 2023, he bought furniture worth Ksh 120,000 by cheque

On 25th October 2023, he repaid part of the SACCO loan Ksh 100,000 in cash

On 28th October 2023, he bought stock worth Ksh 40,000 on credit from a supplier

Prepare the balance sheet for the pharmacy as at 28th October 2023. (20 marks)

Question 3

The following are the transactions of Mr Jones, a health entrepreneur, in January 2023

Jan. 1: Introduced capital into the bank account of the business, \$ 50,000.

Jan. 4: Purchased equipment, paid by cheque \$20,000.

Jan. 8: Purchased goods on credit from Doyle Ltd, \$ 8,000.

Jan. 10: Sold goods on credit to R. Murphy, \$440.

Jan.12: Paid advertising by cheque, \$200.

Jan. 13: Cash sales, \$ 480.

Jan. 14: R. Murphy paid the business \$440 owed.

Jan. 16: Purchased goods on credit from Doyle Ltd \$4,000.
 Jan. 20: Paid Doyle Ltd. \$ 10,000.
 Jan. 22: Purchased goods on credit from Hoskins and Co. for \$1,500.
 Jan. 23: Paid rent by cheque, \$ 800.
 Jan. 24: Returned goods to Hoskins & Co. to the value of \$40.
 Jan. 25: Sold goods on credit to K. Noble, \$200
 Jan. 26: The owner of the business, Mr. Jones, withdrew \$500 from the bank account of the business for his own personal use.
 Jan. 27: Noble returned goods to the value of \$35.
 Jan. 28: Purchased goods on credit from Dalton Ltd, \$1,000.
 Jan 29: Paid Dalton Ltd \$950 and receives \$50 discount, thus clearing the account.
 Jan. 30: Sold goods on credit to K. Noble for \$80.
 Jan. 31: K. Noble cleared his account and was allowed 5% discount.

- i. Draw the ledger accounts for the above transactions (17 marks)
- ii. Prepare the trial balance from the ledger accounts of Mr. Jones (3 marks)

Question 4

The final accounts of a small hospital canteen, for the last two years are as follows:

TRADING, PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31 DECEMBER

	2021	2022
	KSh ('000)	KSh ('000)
Sales	10,900	12,400
Less cost of sales	<u>(6,300)</u>	<u>(6,900)</u>
Gross profit	4,600	5,500
Less expenses	<u>(3,100)</u>	<u>(4,300)</u>
Net profit	<u>1,500</u>	<u>1,200</u>

BALANCE SHEET AS AT 31 DECEMBER

	2021	2022
	KSH ('000)	KSh ('000)
FIXED ASSETS		
(Cost less depreciation)		
Land and buildings	25,000	26,000
Plant and equipment	<u>2,100</u>	<u>2,900</u>
	27,100	28,900
CURRENT ASSETS		
Stock	2,600	1,800
Debtors	2,300	1,900
Cash	<u>100</u>	<u>190</u>
	5,000	3,890
Less CURRENT LIABILITIES		
Creditors	(1,000)	(1,400)
Accruals	(200)	(320)
Bank overdraft	<u>(3,000)</u>	<u>(1,800)</u>
	800	370
Total net assets	<u>27,900</u>	<u>29,270</u>
Financed by:		
Share capital	24,000	26,500
Reserves:		
Profit and loss balance	1,500	1,200
Long term liabilities:		
Long term loan	<u>2,400</u>	<u>1,570</u>
	<u>27,900</u>	<u>29,270</u>

Compare the financial performance for the years 2021 and 2022 using the following financial ratios:

- a) Net profit % (4 marks)
- b) Return on capital employed (4 marks)
- c) Working capital ratio (4 marks)
- d) Liquidity ratio (4 marks)
- e) Stock turnover (4 marks)

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