



**AMREF INTERNATIONAL UNIVERSITY**  
**SCHOOL OF PUBLIC HEALTH**  
**DEPARTMENT OF HEALTH SYSTEMS MANAGEMENT AND DEVELOPMENT**  
**BSC HEALTH SYSTEMS MANAGEMENT AND DEVELOPMENT**  
**SPECIAL/SUPPLEMENTARY EXAM – MARCH 2024**  
**HMD 121 BASIC ACCOUNTING IN HEALTH**

**TIME:** Two Hours  
**Date :** **March 2024**  
**TIME :** Two (2) Hours      Start-----End.....

**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) Define the income statement of a private hospital. (4 marks)
- b) State two uses of the cash flow statement. (4 marks)
- c) Outline any three fixed assets and three current assets of a dispensary. (6 marks)
- d) The items below were extracted from the books of a small pharmacy in a rural area on 31 January 2024.

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

Prepare the balance sheet as at 31 January 2024. (10 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 10% straight-line. (3 marks)
- b) using 10% reducing balance. (3 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 1<sup>st</sup> November 2023, Richard started a pharmacy with Ksh 8,000,000 in cash.

On 3<sup>rd</sup> November 2023, Richard took a SACCO loan of Ksh 2,000,000 in cash

On 8<sup>th</sup> November 2023, Richard opened a business bank account using Ksh 3,000,000 from the cash box

On 15<sup>th</sup> November 2023, he bought furniture worth Ksh 1,200,000 by cheque

On 25<sup>th</sup> November 2023, he repaid part of the SACCO loan Ksh 1,000,000 in cash

On 28<sup>th</sup> November 2023, he bought stock worth Ksh 400,000 on credit from a supplier

Prepare the balance sheet for the pharmacy as at 28<sup>th</sup> November 2023. (20 marks)

### Question 3

The following are the transactions of Mr. Emmanuel, a health entrepreneur, in January 2024

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. Emmanuel (3 marks)

### Question 4

Explain the use of 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)