



AMREF INTERNATIONAL UNIVERSITY
SCHOOL OF PUBLIC HEALTH
DEPARTMENT OF HEALTH SYSTEMS MANAGEMENT AND DEVELOPMENT
BACHELOR OF SCIENCE IN HEALTH SYSTEMS MANAGEMENT AND
DEVELOPMENT
END OF SEMESTER EXAMINATION
JAN-APRIL 2026

HMD 121 BASIC ACCOUNTING IN HEALTH

DATE:

TIME: 2 HOURS

Instructions: Answer Question one in Section A (compulsory), and any other two questions in Section B

SECTION A (COMPULSORY - 30 MARKS)

1. Highlight five uses of financial information to a health care facility. (5 marks)
2. Distinguish between current liabilities and non-current liabilities. Give an example of each. (5 marks)
3. Outline five causes of differences between the bank balance as per cashbook balance and bank statement. (5 marks)
4. The following information relates to XYZ clinic for the year ended 31st December 2025;

	Ksh
Bank overdraft	500,000
Accounts payable	1,000,000
Inventory	2,000,000
Accounts receivable	1,400,000
Equipment	5,200,000
Capital	4,300,000
Motor vehicles	400,000

- Determine the amount of long-term liabilities for XYZ clinic. (5 marks)
5. The following information relates to Huduma hospital; started business with cash \$100,000 and Bank \$200,000. The following transactions took place during the month February 2025;
- 1/1: The hospital borrowed \$50,000 from a bank.
 - 2/1: The hospital purchased supplies on account for \$24,000.
 - 3/1: Half of the supplies were issued from inventory and used in patient care (\$12,000). Patients were billed for \$15,000.
 - 4/1: The hospital paid \$28,000 of salaries and wages to its employees.
 - 5/1: Patients were billed for \$30,000 of other services.
 - 6/1: The bank loan was paid by a disbursement of \$32,000, including interest of \$2,000.
- Prepare journal entries to record the above transactions. (5 marks)
6. On 31 March 2025 the bank statement of Mazuri Hospital showed a credit balance of Sh 440,400. On the same date the cashbook showed a bank balance of Sh 529,000. On comparison of the two documents the following discrepancies were revealed;
- i. A standing order of Sh 63,000 had been paid by bank.
 - ii. Bank charges amounted to Sh 5,600
 - iii. A cheque of Sh 369,000 paid into the bank had not been credited.
 - iv. A cheque of Sh 70,000 from a customer had been dishonoured.
 - v. Dividends of Sh 90,000 had been received directly by the bank.
- Prepare an Updated cashbook as at end the of March 2025. (5 marks)

SECTION B

7. a) Explain the meaning of the following accounting concepts as financial accounting;
- i) Going concern concept. (2 marks)
 - ii) Business entity concept. (2 marks)
 - iii) Historical cost concept. (2 marks)
 - iv) Money Measurement Concept. (2 marks)
 - v) Duality Concept. (2 marks)
- b) Kwetu Hospital provides you with the following information for the year ended 31st December 2025:

	Ksh
Inventory (1 January 2025)	216,000
Purchases	800,000
Capital	1,868,000
Motor vehicles	4,000,000
Sales	3,800,000
Returns outwards	120,000
Carriage inwards	80,000
Accounts payable	1,000,000
Carriage outwards	70,000
Salaries and wages	440,000
Discounts allowed	44,000
Discounts received	104,000
Bad debts	66,000
Accounts receivable	1,200,000

Provision for doubtful debts (1 January 2025)	70,000	
Bank overdraft	104,000	
Prepare a trial balance for Kwetu Hospital.		(10 marks)

8. a) Explain five uses of financial ratios to analyze the performance of health care facilities. (10 marks)

b) On 2nd October 2025, Kizaa Chemist started a business with Ksh 180,000 in cash and Ksh 240,000 at the bank. The following transactions took place during the month;

- 4/10: Sold drugs for Ksh 120,000 and received cash
5/10: Bought medical supplies for Ksh 84,000 from Alex medical distributors on credit.
7/10: Sold drugs amounting to Ksh 95,000 and received a cheque.
10/10: Withdrew Ksh 75,000 from bank for business use.
16/10: Sold drugs for Ksh 50,000 to Brian enterprises on credit.
20/10: Deposited Ksh 15,000 from the cash till into the bank account.
24/10: Sold medical supplies for Ksh 110,000 and received a cheque.
25/10: Paid Alex chemicals Ksh 80,000 in cash.
31/1: Received a cheque Ksh 30,000 from Brian enterprises
Prepare a two column cash to record the above transactions. (10 marks)

9. a) Examine five reasons for maintaining a petty cash book in a health care organization. (10 marks)

b) The following balances were extracted from the books of Madawa Hospital as at 31 December 2025;

	Ksh
Inventory 1/1/2025	236,800
Carriage outwards	20,000
Returns inwards	20,500
Purchases	1,187,400
Salaries and wages	386,200
Rent	30,400
Insurance	7,800
Carriage inwards	31,000
Motor expenses	66,400
Office expenses	21,600
Sales	1,860,000
Electricity	16,600
General expenses	31,400
Inventory 31/12/2023	240,000
Returns outwards	32,200

Prepare Madawa Hospital income statement for the year ended 31 December 2025.

(10 marks)

10. The following information was extracted from the books of Pendo Referral Hospital as at 31 December 2025;

Income statement	Sh'000
Revenue	40,000
Cost of sales	<u>(30,800)</u>

Gross profit		9,200
Operational expenses		(4,920)
Profit for the year		<u>4,280</u>

Statement of financial position

	Sh'000	Sh'000
<u>Non-current asset at cost</u>		9,200
Motor vehicle		7,600
<u>Current assets</u>		
Inventory	12,000	
accounts receivables	<u>9,040</u>	<u>21,040</u>
		<u>28,640</u>
<u>Equity and liabilities</u>		
Capital		22,240
Accounts payable		<u>6,400</u>
		<u>28,640</u>

- a) Compute;
- Gross profit margin. (3 marks)
 - Net profit margin. (3 marks)
 - Stock turnover. (3 marks)
 - Quick-acid test ratio. (3 marks)
 - Debtors collection period. (3 marks)
- b) Comment on the performance of Pendo referral hospital. (5 marks)