



**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 DECEMBER 2024**  
**HMD 121 BASIC ACCOUNTING IN HEALTH**

**TIME:** Two Hours  
**Date :** December 2024  
**TIME :** Two (2) Hours      **Start:** 4:30 pm      **End:** 6:30 pm

**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
- 4) DO NOT WRITE ON THE QUESTION PAPER

***Read carefully the additional instructions preceding each section.***

## **SECTION A (COMPULSORY - 30 MARKS)**

### **QUESTION ONE**

- a) Distinguish between current liabilities and long-term liabilities. Give an example of each. (4 marks)
- b) Understanding a hospital's financial position and operating results is crucial for various stakeholders. State four reasons for the need for this information. (4 marks)
- c) Mende Hospital completed the following transactions during the month of September 2024:
- 2/9: Purchased new X-ray equipment for Sh320,000 cash.
  - 3/9: Supplies for drugs were purchased for Sh 400,000 on credit from KEMSA.
  - 4/9: Supplies that had cost Sh 200,000 were issued from inventory for use in hospital activities.
  - 5/9: Payments of accounts payable to KEMSA of Sh 340,000 were done by cheque.
  - 6/9: Consultation services rendered to patients during the month were billed as Sh 685,000.
  - 9/9: Collections on patients' accounts through bank totaled to Sh 1,500,000.
  - 10/9: Other revenues collected in cash amounted to Sh 130,000.
  - 11/10: Operating expenses were paid as follows: Salaries and wages Sh 820,000 through bank and Insurance 20,000 cash.
  - 12/10: A short-term loan of Sh450,000 was obtained from a local bank

Required: Prepare general journal entries to record for each of the above transactions. (10 marks)

- d) On February 2024, Tifa hospital had Ksh 200,000 cash in hand and a bank overdraft of Ksh 150,000. The following transactions took place during the month;
- 7/2: Provided consultations services to a patient and received a cheque for Ksh 30,000.
  - 10/2: Paid electricity bill of Ksh 2,500 in cash.
  - 14/2: Withdrew Ksh 40,000 from cash till for personal use.
  - 27/2: Bought medical supplies for Ksh 20,000 and paid by cheque.
  - 28/2: Received a cheque for Sh 43,000 from Abdi.
  - 28/2: Deposited cash Sh 19,000 into the bank account.
- Required: Prepare a two column cash book to record the above transactions. (12 marks)

## **SECTION B (Answer any TWO questions in this Section)**

### **QUESTION TWO**

- a) Explain the meaning of the following accounting concepts;
- i) Consistency concept. (2 marks)
  - ii) Materiality concept. (2 marks)
  - iii) Going concern concept. (2 marks)

iv) Business Entity concept. (2 marks)

b) The following information relates to Sally Clinic as at 31 December 2023;

	Ksh
Land and buildings	2,720,000
Accounts payable	93,968
Capital 1/1/2023	1500,000
Accounts receivable	220,001
Furniture at cost	200,000
Drawings	50,205
Bank loan	2,000,000
Inventory 31/12/2023	380,000
Depreciation on furniture	99,366
Cash	42,500
Net loss	80,628

Required: Prepare a statement of financial position as at 31 December 2023. (12 marks)

### QUESTION THREE

a) Explain four reasons for preparing a trial balance book in an organization. (8 marks)

b) The following balances were extracted from the books of account of Pandy hospital as at 31 December 2023;

	Ksh
Sales	2,200,000
Returns inwards	40,000
Purchases	1,000,000
Salaries	320,000
Insurance	140,000
Inventory 1/1/2023	420,000
Returns outwards	25,000
Electricity	12,000
Rent expense	80,000
Discount allowed	10,000
Depreciation	24,000
Bad debts written off	3,000
Discount received	15,000
Inventory 1/1/2023	295,000

Required: prepare an income statement for the year ended 31 December 2023. (12 marks)

#### QUESTION FOUR

- a) Financial analysis offers several benefits to a hospital facility. Explain four such benefits to the hospital management. (8 marks)
- b) On 31 January 2024 the cash book (bank column) of Tumaini Hospital showed a debit balance of Sh 50,180 while the bank statement showed a debit balance of Ksh 12,227. On the same date upon investigation the following discrepancies were revealed;
- i) Cheques amounting to Ksh 50,108 had not been presented for payment.
  - ii) The bank had received dividends of Ksh 30,100 on behalf of the business.
  - iii) The opening balance in the cash book had been overstated by Ksh 10,000.
  - iv) A cheque for Ksh 60,050 received from a debtor had been dishonoured.
  - v) Bank charges amounted to Ksh 14,220.
  - vi) The bank had effected a standing order payment for Ksh 15,000.
  - vii) Uncredited cheques amounted to Ksh 43,345

Prepare

- i) An updated cash book. (7 marks)
- ii) A bank reconciliation statement. (5 marks)