



**AMREF INTERNATIONAL UNIVERSITY**  
**SCHOOL OF PUBLIC HEALTH**  
**DEPARTMENT OF COMMUNITY HEALTH**  
**BACHELOR OF SCIENCE IN HEALTH SYSTEMS MANAGEMENT AND**  
**DEVELOPMENT**  
**END OF SEMESTER EXAMINATION APRIL 2024**

**UNIT CODE:** HMD 121 BASIC ACCOUNTING IN HEALTH

**DATE:** April, 2024

**TIME:** 2 Hours

**Start:**

**Finish**

**INSTRUCTIONS**

1. This exam is marked out of 70 marks
2. This Examination comprises TWO Sections  
**Section A:** Compulsory Question (30 marks)  
**Section B:** Long Answer Questions (70 marks)

**SECTION A: COMPULSORY (30 Marks)**

**QUESTION ONE**

- a) Outline five reasons for the need of information about a hospital's financial position and operating results. (5 marks)
- b) Distinguish between current and non-current assets. Give an example of each. (5 marks)
- c) Clarke Hospital provides you with the following information that relates to its financial position at October 31, 2023 and its operating results for the month then ended:

	Ksh
Bonds payable	2,500,000
Salaries and wages expenses	526,000
Prepaid expenses	40,000
Hospital net assets	2,330,000

Daily patient services revenues	4,630,000
Interest expenses	120,000
Non-operating income	110,000
Bank	1,244,000
Deferred income	20,000
Deductions from patient services revenues	420,000
Accounts payable	170,000
Land	250,000
Utilities expenses	980,000
Other operating revenues	380,000
Notes payable	200,000
Accounts receivable	1,930,000
Accumulated depreciation on equipment	1,580,000
Accrued expenses payable	490,000
Other professional services revenues	3,470,000
Supplies expenses	1,210,000
Buildings and equipment	5,000,000
Inventory	190,000
Other operating expenses	70,000

Required: Prepare Clarke Hospital;

- a) Income statement for the year ended 31 October 2023. (10 marks)  
b) Statement of financial position for the year ended 31 October 2023. (10 marks)

**SECTION B (Answer any TWO Questions)**

**QUESTION TWO**

a) The following information relates to Pendo Hospital as at 31 March 2024.

	Ksh
Current liabilities	1,500,000
Current assets	3,400,000
Plant assets net of accumulated depreciation	5,200,000
Hospital net assets	4,300,000
Long-term investments	400,000

Determine the amount of long-term liabilities. (5 marks)

b) Painless Hospital's general ledger cash in bank account reports a balance of Sh 1,058,000 as of 31 March 2024. An examination of the October bank statement in comparison with the cash records of the hospital, however, discloses the following information:

- i) The 31 March 2024 balance as per bank statement was Sh 880,800.
- ii) A cash deposit of Sh 102,000 was recorded in bank statement as Sh 300,000
- ii) A cheque of Sh 180,000 belonging to a different Hospital had been credited in the bank statement.
- iii) A standing order of Sh 126,000 had been paid by the bank.
- iv) Bank charges amounted to Sh 11,200
- v) A cheque of Sh 738,000 paid into the bank had not been credited.
- vi) A cheque of Sh 140,000 from a patient had been dishonoured.
- vii) Dividends of Sh 180,000 had been received directly by the bank.

viii) Cheques to supplier Sh 280,000 had not been presented to bank.

**Required;**

- i) Updated cashbook. (8 marks)
- ii) Bank reconciliation statement. (7 marks)

**QUESTION THREE**

a) The balances were extracted from the books of accounts of Smalltown Hospital as at 31 December 2023;

	Ksh'000'
Cash	9,500
Other expenses	1,300
Ancillary services revenue	48,120
Repairs expense	2,900
Accounts payable	5,600
Insurance expense	3,600
Accounts receivable	25,800
Inventory	6,700
Other operating revenues	13,800
Land	25,000
Buildings	67,000
Supplies expense	21,500
Equipment	45,000
Notes payable	12,000
Bonds payable	50,000
Hospital net assets	100,000
Routine services revenue	72,180
Salaries and wages expense	76,400

Required; Prepare a trial balance for Smalltown Hospital. (10 marks)

- b) Cupfull Hospital completed the following transactions during the month of October 2023:
- 2/10: New equipment was purchased for Sh160,000 cash.
  - 3/10: Supplies were purchased on account for Sh 360,400.
  - 4/10: Supplies that had cost Sh 310,200 were issued from inventory for use in hospital activities.
  - 5/10: Payments on accounts payable were Sh 340,700.
  - 6/10: Services rendered to patients during the month were billed as follows: routine services Sh 84,300 and ancillary services Sh 470,900.
  - 9/10: Collections on patients' accounts totaled Sh 1,050,750.
  - 10/10: Other revenues collected in cash amounted to Sh 130,600.
  - 11/10: Operating expenses were paid as follows: Salaries and wages Sh 820,400, Utilities Sh 80,700, Insurance 20,900, Repairs 16,000, Other expenses 70,300
  - 12/10: A short-term, 9 percent loan of Sh150,000 was obtained from a local bank

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

**QUESTION FOUR**

- a) Explain the meaning of the following accounting concepts;
- i) Materiality concept. (2 marks)
  - ii) Consistency concept. (2 marks)
  - iii) Going concern concept. (2 marks)
  - iv) Business entity concept. (2 marks)
  - v) Historical cost concept. (2 marks)

b) Great place Hospital provides you with the following financial statements as at 31 December 2023;

Income statement

	2023	2022
Gross patient services revenues	14,517	13,534
Less deductions from revenues	<u>1,742</u>	<u>1,489</u>
Net patient services revenues	12,775	12,045
Other operating revenues	<u>1,225</u>	<u>955</u>
Total operating revenues	14,000	13,000
<u>Less expenses</u>		
Total operating expenses	<u>13,234</u>	<u>12,518</u>
Operating income	<u>766</u>	<u>482</u>

Statement of financial position

Cash	450	300
Receivables net	1,400	1,150
Inventory	300	370
Prepaid expenses	50	80
Total current assets	2,200	1,900
Plant assets net	<u>5,800</u>	<u>5,100</u>
Total	<u>8,000</u>	<u>7,000</u>
Current liabilities	740	475
Long-term debt	3,530	3,205
Net assets	<u>3,730</u>	<u>3,320</u>
Total	<u>8,000</u>	<u>7,000</u>

- b) Determine the following ratios;
- i) Operating profit margin. (2 marks)
  - ii) Return on investment. (2 marks)
  - iii) Current ratio. (2 marks)
  - iv) Inventory turnover. (2 marks)
  - v) Average collection period assume 1 year = 360 days. (2 marks)