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(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2017/2018 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER

MAIN EXAMINATION

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: EDB 103

COURSE TITLE: FOUNDATIONS OF ACCOUNTING I

DATE: 09/08/2018 TIME: 9.00 A.M - 11.00 A.M

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over. ►

SECTION A (COMPULSORY)

QUESTION ONE: 30 MARKS

a) Differentiate between the following terms as used in accounting.

- i. A debit entry and credit entry (2 marks)
- ii. Return inwards and return outwards (2 marks)
- iii. An asset account and liability account (2marks)
- iv. An expense account and revenue account (2 marks)
- v. A trail balance and a balance sheet (2 marks)

b) The following is a trial balance of ABC Ltd.

| Kshs | Kshs |
|-------------------------------|-------------------|
| Stock 1 Jan 2017 | 2,368,000 |
| Carriage inwards | 200,000 |
| Carriage outwards | 310,000 |
| Return outwards | 205,000 |
| Return outwards | 322,000 |
| Purchases | 11,870,000 |
| Sales | 18,600,000 |
| Rent | 3,862,000 |
| Salaries & Wages | 304,000 |
| Insurance | 78,000 |
| Motor expenses | 216,000 |
| Lighting and heating expenses | 166,000 |
| General expenses | 314,000 |
| Premises | 500,000 |
| Motor vehicles | 1,800,000 |
| Debtors | 3,896,000 |
| Fixture and fittings | 350,000 |
| Creditors | 1,731,000 |
| Cash at Bank | 482,000 |
| Drawings | 1,200,000 |
| Capital | 8,132,000 |
| 28,785,000 | 28,785,000 |

Stock at 30 December 2018 was Sh. 2,946,000

Required:

Draw up a statement of comprehensive income for the year ended 31st December 2017 and statement of financial position as at 31/12/2017. (20 marks)

SECTION B (CHOOSE ANY TWO QUESTION)

QUESTION TWO: 20 MARKS

Write a two-column cash book from the following detail and balance off as at the end of the month.

2017

- Oct 1: Started business with capital in cash Sh. 1,000,000
- Oct 2: Paid rent by cash Sh. 100,000
- Oct 3: Loan from Mary- Sh. 500,000, paid by cheque.
- Oct 4: Paid B. Peter by cheque Sh. 65,000
- Oct 5: Cash sales made Sh. 98,000
- Oct 7: Mitter, owe of debtor paid by cash Sh.62, 000
- Oct 9: Paid Den (creditor) in cash 22,000
- Oct 11: Cash sales paid direct into the bank Sh. 53,000
- Oct 15: George (creditor) paid as by cheque Sh. 65,000
- Oct 16: Repaid Mary by cheque Sh.100, 000
- Oct 19: Took Sh.50, 000 out of the cash till and paid it into the bank accounts.
- Oct 22: Paid motor expenses by cheque Sh. 12,000
- Oct 26: Withdrew Sh. 100,000 cash from the bank for business use.
- Oct 31: Paid wages in cash Sh. 97,000.

QUESTION THREE: 20 MARKS

The following transaction of Best Sales (K) Ltd for the month of March 2017.

- March 1: Started business with Sh. 800,000 in the bank.
- March 2: Bought goods on credit from the following persons
 - Ndichu- Sh. 76,000
 - Omolo- Sh. 27,000
 - Tina- Sh. 56,000
- March 5: Cash sales Sh. 87,000
- March 6: Paid wages in cash Sh. 14,000
- March 7: Sold goods on credits to
 - Emma-Sh.35, 000
 - Jane- Sh. 42,000
 - Juma- Sh. 72,000
- March 9: Bought goods for cash Sh. 46,000
- March 10: Bought goods on Credits from
 - Omolo- Sh. 57,000
 - Ndebu-Sh. 98,000
- March 12: Paid wages in cash Sh.465, 000
- March 13: Sold on credit to: Jane- Sh. 32,000
 - Juma- Sh. 23,000
- March 15: Bought fix tires on credit from Beta Ltd Sh. 50,000
- March 17: Paid Omolo by cheque Sh. 84,000
- March 18: Returned goods to Ndebu Sh.20, 000
- March 24: Jane returned some of goods sold to her Sh.11, 000
- March 31: Bought a motor van paying by cheque Sh. 400,000

Required:

Record the above transaction in the ledger of Best Sales Ltd and balance off the account; hence forth, extract a trial balance as at 31 March 2017.

QUESTION FOUR: 20 MARKS

a) Define the following terms as used in Business.

- i. Business transactions (2 marks)
- ii. Credit transaction (2 marks)
- iii. Initial capital (2 marks)
- iv. Final capital (2 marks)
- v. Drawings (2 marks)

b) Outline 4 circumstances under which the capital of a business may change (4 marks)

c) The following information was extracted from the book of LIMA Ltd. For the year 2016.

- i. Initial capital as at 1/01/2016 – Sh.200,000
- ii. Made a net loss of Sh. 50,000
- iii. The proprietor invested into the business from her personal saving Sh. 600,000
- iv. The proprietor withdraw in cash for her personal use Sh. 250,000

Required:

Using the final capital formula, determine the final capital as at 31/12/06 (4 marks)

QUESTION FIVE: 20 MARKS

Write notes on any 5 basic accounting concepts (20 marks)