



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2017/2018 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER

SPECIAL/SUPPLIMENTARY EXAMINATION

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: EDB 103

COURSE TITLE: FOUNDATIONS OF ACCOUNTING I

DATE: 09/10/2018 **TIME:** 9:00 AM

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.
- Initial capital as at 1/01/2016 – Sh.200,000
 - Made a net loss of Sh. 50,000
 - The proprietor invested into the business from her personal saving Sh. 600,000
 - 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)

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