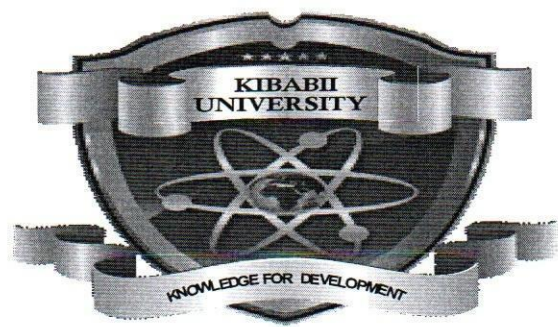


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*(Knowledge for Development)*

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2020/2021 ACADEMIC YEAR**

**MAIN EXAMINATION**  
**FOR THE DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DIB 100**

**COURSE TITLE: INTRODUCTION TO FINANCIAL ACCOUNTING**

**DATE: 18-5-2021**

**TIME: 8.00AM-10.00AM**

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**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 2 Printed Pages. Please Turn Over.

**SECTION A:**

**QUESTION ONE (COMPULSORY)**

- a) Define the term Accounting giving its Main components (2 marks)
- b) Differentiate between book-keeping and accounting (8 marks)
- c) Trevor Minor a sole trader, extracted the following trial balance from his books at the close of business on 31<sup>st</sup> March 2019.

	Dr	Cr
Purchases and sales	22,860.00	41,970.00
Stock 1 April 2018	5,160.00	
Capital 1 April 2018		7,200.00
Bank overdraft		4,350.00
Cash	90.00	
Discounts	1,440.00	930.00
Return inwards	810.00	
Return outwards		570.00
Carriage outwards	2,160.00	
Rent and Insurance	1,760.00	
Provision for bad and doubtful debts		660.00
Fixture and Fittings	1,200.00	
Delivery Van	2,100.00	
Debtor and Creditors	11,910.00	6,060.00
Drawings	2,880.00	
Wages and Salaries	8,940.00	
General office expenses	450.00	
	<b>61,740.00</b>	<b>61,740.00</b>

Notes

- a) Stock at 31<sup>st</sup> March 2019 kshs 4,290.00
- b) Wages and salaries accrued at 31<sup>st</sup> March 2019 kshs 210.00, General office expenses owing kshs 20
- c) Rent prepaid on 31<sup>st</sup> March 2019 kshs 180.00
- d) Increase provision for bad and doubtful debts by kshs 150.00 to kshs 810.00
- e) Provide for depreciation as follows: Fixtures and Fittings kshs 120.00,  
: Delivery Van kshs 300.00

**Required**

Prepare the income statement for the year ended 31<sup>st</sup> March 2019 together with a statement of financial position as at that date using a vertical format (20 Marks)

**Section B: Choose Any Two QUESTIONS**

**QUESTION TWO**

You are to enter up the necessary amounts for the month of May from the following details and then balance off the accounts and extract a trial balance as at 31<sup>st</sup> May 2016

2016

May 1 Started firm with capital of cash kshs 250.00

" 2 Bought goods on credit from the following persons: D Ellis kshs 54.00, C Mendez kshs 87.00, K Gibson kshs 25.00, D Booth kshs 76.00, L. Lowe kshs 64.00

" 4 Sold goods on credit to : C Barley kshs 43.00, B Hughes kshs 62.00, H Spencer kshs 176.00

" 6 Paid rent by Cash kshs 12.00

" 9 Bailey paid us his account by cheque kshs 43.00

" 10 H Spencer paid us kshs 150.00 by cheque

" 12 We paid the following by cheque: K Gibson kshs 25.00, D Ellis kshs 54.00

" 15 We paid carriage by cash kshs 23.00

" 18 Bought good on credit from : C Mendez kshs 43.00, D Booth kshs 110.00

" 21 Sold goods on credit to B Hughes kshs 67.00

" 31 paid rent by cheque kshs 18.00



### QUESTION THREE

a) Write briefly on the FIVE errors not disclosed by a trial balance **(5Marks)**

(b) Kathryn Rochford keeps her petty cash book on the imprest system, the imprest being kshs 2500.00. For the month of April 2010 her petty cash transactions were as follows ;

April 1 Petty cash balance	kshs 113.00
April 2 Petty cashier presented vouchers to cashier and obtained cash to restore the imprest ksh2387.00	
April 4 Bought postage stamps	kshs 850.00
April 9 Paid to Courtney Bishop a creditor	kshs 235.00
April 11 Paid bus fare	kshs 172.00
April 17 Bought envelopes	kshs 70.00
April 23 Paid for Telephone calls	kshs 68.00
April 26 Bought petrol	ksh1000.00

#### Required

(1) Enter the a above transactions in the petty cash book and balance the petty cash book at 30<sup>th</sup> April 2010, bringing down the balance on may 1<sup>st</sup>

**(15Marks)**

### QUESTION FOUR

(a) Define the term Accounting concept, then write briefly on the four fundamental accounting concepts **(5marks)**

(b) The following are extracts from Cash book and the bank statements of Mr Nice a sole trader as at 31<sup>st</sup> December 2018

#### BANK ACCOUNT

2018		KSHS	2018	KSHS
Jan 1	Balance b/d	6,000.00	Jan 1 Cheque to Owino	400.00
Jan 3	Cash	500.00	Jan 6 Cheque to Peter	150.00
Jan 5	Cheque-Kiirui	85.00	Jan 6 Cheque to Riungu	105.00
Jan 7	Cheque -Lobo	220.00	Jan 7 Cheque to Sembi	365.00

Jan 9	Cheque - Maina	155.00	Jan 8 Cheque to Thiumbi	1120.00
Jan 11	Cheque -Ndisi	360.00	Balance c/d	5180.00
		<b>7,320.00</b>		<b>7,320.00</b>
	Balance b/d	5,180		

2018	BANK STATEMENT	DR	CR	BALANCE
Jan 1	Balance b/d			6,000.00
Jan 2	Cheque no 9976	400.00		5,600.00
Jan 3	Cash		500.00	6,100.00
Jan 4	Charges	20.00		6,080.00
Jan 5	Cheque deposit		85.00	6,165.00
Jan 6	Cheque no 9977	150.00		6,015.00
Jan 7	Cheque deposit		220.00	6,235.00
Jan 8	Caash deposit(by Obae)		600.00	6,835.00
Jan 9	Cheque dishonoured	85.00		6,750.00
Jan 10	Standing order (insurance premium)	560.00		6,190.00
Jan 11	Cheque no 9978	105		6,085.00

### Required

Prepare an updated cash book and a bank reconciliation statement

**(15 Marks)**

### QUESTION FIVE

a) What are the uses of general journal

**(8marks)**

(b) Write up the asset, capital and liabilities accounts in the books of Khetias Enterprise to record the following transactions.

### 2015

June 1 Started business with Kshs 500,000.00 in the bank

June 2 Bought motor van paying by cheque Ksh 120,000.00

June 5 Bought office fixtures Ksh 40,000.00 on credit from young Limited

June 8 Bought motor van from supper motors Kshs 80,000.00

June 12 Took kshs 10,000.00 out of bank and put it into the cash till

June 15 Bought office fixtures paying by cash Ksh 6,000.00

June 19 Paid supper Motors a cheque for Kshs 80,000.00

June 21 A Loan of Kshs 100,000.00 cash is received from J Jarvins

June 25 Paid Kshs 80,000.00 of the cash in hand into the Bank account

June 30 Bought more office fixtures paying by cheque Kshs 30,000.00 **(16marks)**