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**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2017/2018 ACADEMIC YEAR**  
**FIRST YEAR SECOND SEMESTER**  
**MAIN EXAMINATIONS**

**FOR THE DEGREE OF BACHELOR OF EDUCATION ARTS**

**COURSE CODE:     BBM 100**

**COURSE TITLE:    FINANCIAL ACCOUNTING**

**DATE:     10/01/2018         TIME: 9.00 A.M -11.00 A.M**

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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**

KIBUCO observes ZERO tolerance to examination cheating

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**SECTION A**

**QUESTION ONE (COMPULSORY)**

a) The following trial balance has been extracted from the ledger of Mr. Ali, a sole trader.

Trial balance as at 31 May 2010

	Dr.	Cr.
	Sh. '000'	Sh. '000'
Sales		138,078
Purchases	82,350	
Carriage	5,144	
Drawings	7,800	
Rent, rates and insurance	6,622	
Postage and stationery	3,001	
Advertising	1,330	
Salaries and wages	26,420	
Bad debts	877	
Provision for doubtful debts		130
Debtors	12,120	
Creditors		6,471
Cash in hand	177	
Cash at bank	1,002	
Stock at 1 June 2009	11,927	
Equipment at cost	58,000	
Equipment accumulated depreciation		19,000
Capital		<u>53,091</u>
	<u>216,770</u>	<u>216,770</u>

The following information as at 31 May 2010 is available.

- i) Rent is accrued by sh.210.
- ii) Rates have been prepaid by sh.880.
- iii) Sh.2, 211 of carriage represent carriage inwards on purchases.
- iv) Equipment is to be depreciated at 15% per annum using straight line method.
- v) The provision for doubtful debts to be increased by sh.40.
- vi) Stock at the close of business has been valued at sh.13, 551.

**Required:**

- i) Trading, profit and loss account for the year ended 31 May 2010. (10 marks)
- ii) Balance sheet as at that date. (10 marks)

b) Using appropriate examples, explain precisely the following accounting concepts:

- i) Prudence
- ii) Neutrality
- iii) Substance over form
- iv) Materiality
- v) The going concern

(10 marks)

**SECTION B (ANSWER ANY TWO QUESTIONS)**

**QUESTION TWO**

a) State and explain using appropriate examples any Six errors that cannot be disclosed by a Trial balance (12 marks)

a) A book keeper extracted a trial balance on 31 December 2002 which failed to agree by Sh.3,300, a shortage on the credit side of the trial balance. A suspense account was opened for the difference.

In January 2003 the following errors made in 2002 were found:

- i. Sales day book had been undercast by Sh.1,000
- ii. Sale of Sh.2,500 to J Church had been debited in error to J Chane's account
- iii. Rent account had been undercast by sh.700
- iv. Discount received account had been undercast by sh.3,000
- v. The sale of a motor vehicle at book value had been credited in error to the sales account Sh.3,600

**Required:**

i. Show the journal entries necessary to correct the errors (5 marks)

ii. Draw up the suspense account after the errors described have been corrected (3 marks)

### QUESTION THREE

a) From the following information, draw up a bank reconciliation statement as on 31 December 2011:

- i) Cash at bank as per bank column of the cash book sh.2,910
- ii) Un presented cheques sh. 730
- iii) Cheques received and paid into the bank, but not yet entered on the bank statement sh.560
- iv) Credit transfers entered as banked on the bank statement but not entered in the cash book sh.340
- v) Cash at bank as per bank statement sh.3,420 (7 marks)

b) The following information was extracted from the books of Kahawa a Sole Trader for the month of November 2011.

Nov 1	Sales ledger balances	Sh. 23,220
	Totals for November:	
	Sales journal	14,194
	Returns inwards journal	826
	Cheques and cash received from customers	17,918
	Discounts allowed	312
Nov 30	Sales ledger balances	18,358

**Required:**

Prepare a sales ledger control account

(7 marks)

c) Describe the following qualities of a good accounting information:

- i) Reliable.
- ii) Relevant.
- iii) Realistic.

(6 marks)

#### **QUESTION FOUR**

Write up a two-column cash book for a pine furniture shop from the following details, and balance it off as at the end of the month:

2012

May	1	Started in business with capital in cash sh.1, 000.	
	2	Paid rent by cash sh.230.	
	3	G Broad lent us sh.2,000, paid by cheque.	
	4	We paid J Fine by cheque sh.860.	
	5	Cash sales sh.190.	
	7	F Love paid us by cheque sh.34.	
	9	We paid A Moore in cash sh.92.	
	11	Cash sales paid direct into the bank sh.151.	
	15	P Hood paid us in cash sh.96.	
	16	We took sh.100 out of the cash till and paid it into the bank account.	
	19	We repaid R Onions sh.500 by cheque.	
	22	Cash sales paid direct into the bank sh.122.	
	26	Paid motor expenses by cheque sh.75.	
	30	Withdrew sh.200 cash from the bank for business use.	
	31	Paid wages in cash sh320.	(20 marks)

#### **QUESTION FIVE**

- a) State and explain any six users of Financial Accounting information (12 marks)
- b) A Company depreciates its plant at the rate of 20% per annum using straight line method, for each month of ownership. The following information was extracted from the books of ABC Ltd.

1999 Bought plant costing sh.900 on 1 January

Bought plant costing sh. 600 on 1 October

2001 Bought plant costing sh.550 on 1 July

2002 Sold plant which had been bought for sh. 900 on 1 January 1999 for the

Sum of sh.275 on 30 September 2002

Required:

- i. Plant account (4marks)
- ii. Plant provision for depreciation account (2marks)
- iii. Plant disposal account (2marks)