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*(KNOWLEDGE FOR DEVELOPMENT)*

**KIBABII UNIVERSITY**

**(KIBU)**

**UNIVERSITY EXAMINATIONS  
2019/2020 ACADEMIC YEAR**

**SPECIAL/SUPPLEMENTARY EXAMINATIONS  
SECOND YEAR FIRST SEMESTER  
FOR THE DEGREE IN  
(INFORMATION TECHNOLOGY)**

**COURSE CODE: BIT 218**

**COURSE TITLE: ACCOUNTING PRINCIPLES FOR IT**

**DATE: 29/01/2021**

**TIME: 10.00 A.M. -1.00 P.M.**

**INSTRUCTIONS**

**ANSWER QUESTIONS ONE AND ANY OTHER TWO.**

**QUESTION ONE (COMPULSORY) [30 MARKS]**

- a. Describe five advantages of using computer packages in financial accounting [5 marks]
- b. What is bank reconciliation and advantages of using overdraft system [5 marks]
- c. Khakula, a sole trader received his bank statement for the month of June 2001. At that date the bank balance was Sh. 706,500 whereas his cash book balance was Sh.2, 366,500.

His accountant investigated the matter and discovered the following discrepancies:

- 11. Bank charges of Sh.3, 000 had not been entered in the cashbook.
- 12. Cheques drawn by Khakula totalling Sh.22, 500 had not yet been presented to the bank.
- 13. He had not entered receipts of Sh.26, 500 in his cashbook.
- 14. The bank had not credited Mr Khakula with receipts of Sh.98, 500 paid into the bank on 30 June 2001.
- 15. Standing order payments amounting to Sh.62, 000 had not been entered into the cashbook.
- 16. In the cashbook Khakula had entered a payment of Sh.74, 900 as Sh.79, 400.
- 17. A cheque for Sh.15, 000 from a debtor had been returned by the bank marked "refer to drawer" but had not been written back into the cashbook.
- 18. Khakula had brought forward the opening cash balance of Sh.329, 250 as a debit balance instead of a credit balance.
- 19. An old cheque payment amounting to Sh.44, 000 had been written back in the cashbook but the bank had already honoured it.
- 20. Some of Khakula's customers had agreed to settle their debts by paying directly into his bank account. Unfortunately, the bank had credited some deposits amounting to Sh.832, 500 to another customer's account however.

**Required:**

- i. A statement showing Khakula's adjusted cashbook balance as at 30 June 2001. [8 marks]
- ii. A bank reconciliation statement as at 30 June 2001. [12marks]

**QUESTION TWO [20 MARKS]**

The following details were obtained from books of Leo trader for the month of June 2018

1 June purchased ledger balance was	1,300,000	cr.
sales ledger balance	650,000	dr.
total for the month:		

credit sales.	1,300,000	
cash payment for trade creditors	980,000	
cash received from trade debtors.	1,050,000	
credit purchase	1,160,000	
cheque paid for suppliers	320,000	
discount allowed	65,000	
returns outward	72,000	
returns inwards	190,000	
discount received	54,800	
interest charged on overdue trade debtors accounts		10,000
Penalty charged on supplier's overdue accounts.		18,000

Prepare :

- a. A sales ledger [10 marks]
- b. A purchase ledger control account. [10 marks]

### QUESTION THREE [20 MARKS]

The following is a trial balance of ABC Ltd

Details	Ksh.	Ksh.
Stock 1/1/2016	2368000	
Carriage inwards	200,000	
Carriage outwards	310,000	
Return inwards	205,000	
Return outwards		321,000
Purchases	11870000	
Sales		180,000
Rent	3,862000	
Salaries and wages	304000	
Insurance	78000	
Motor expenses	216000	



Lighting and heating expenses	166000	
General expenses	314,000	
Premises	500000	
Motor vehicles	1800000	
Debtors	3896000	
Fixture and fitting	350000	
Creditors		1,700,000
Cash at bank	482,000	
Drawings	1200,000	
Capital		<u>8,100,000</u>
Total	<u>28,121,000</u>	<u>28,121,000</u>

Stock at 30th dec.2018 was sh.2, 946, 000

**Required**

- a. Draw up a statement of profit and loss account for the year ended 31st December 2018 [10 marks]
- b. Draw up a statement of balance sheet as at 31st December 2018. [10 marks]

**QUESTION FOUR [20 MARKS]**

The following is an extract from the balance sheet of Amolo ltd as at 30th march 2017

	Ksh.
Machinery at cost	5,670,000
Less provision for depreciation	<u>1,200,000</u>
Total	4,470,000

The following transaction took place during the year ended 31st march 2018:

- Disposal: 30 June 2017 for machinery XXBA that had originally been purchased at Ksh.420, 000 on 1<sup>st</sup> march 2015 was sold at shs.130, 000 on 31 Jan 2018 machinery **xxbb**, that had originally been purchased for Ksh.500,000 on 25 march 2016 was sold at Ksh.150,000.
- Additions: 1 July 2017; the company decided to acquire additional machinery **xxbd** at

sh.640, 000 on 1<sup>st</sup> February 2018; machinery **xxbd** was purchased for sh.88, 0000

- It turned out that machinery **xxbc** was small and was therefore replaced with **xxbe** in December 2017 which would costed Ksh. 2, 000,000 but the vendor accepted Ksh.1, 500,000 in addition to exchanging it for machinery **xxbc**.
- The company policy is to charge a full year's depreciation in the year of acquisition but no depreciation in the year of disposal.

You are required to prepare:

- a. Machinery account [5 marks]
- b. Provision for depreciation [5 marks]
- c. Machinery disposal, and [5 marks]
- d. Show how the balances would appear on the balance sheet as at that date. [5 marks]

#### QUESTION FIVE [20 MARKS]

A company depreciates its plant at the rate of 20 per cent per annum, straight line method, for each month of ownership. From the following details draw up the plant account and the provision for depreciation account for each of the years 1999, 2000, 2001 and 2002.

1999 Bought plant costing Sh.900 on 1 January.

2000 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.

You are also required to draw up the plant disposal account and the extracts of the statement of financial position as at the end of each year. [20 marks]