



KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR
FIRST YEAR FIRST SEMESTER
MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA 111

COURSE TITLE: FINANCIAL ACCOUNTING 1

DATE: 16TH FEBRUARY, 2021

TIME: 8.00AM -10.00AM

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

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SECTION A (COMPULSORY)

QUESTION ONE

- a) Using appropriate examples define precisely the following accounting concepts and for each explain their implication in the preparation of financial statements.
- i. Periodicity concept.
 - ii. Duality concept.
 - iii. Accrual concept.
 - iv. Business Entity concept.
 - v. Going concern concept.
- (10marks)
- b) State and explain in detail any Five users of Financial Accounting information
- (10marks)
- c) State and briefly explain any four business source documents
- (4marks)
- d) Describe the following qualities of a good accounting information:
- i) Reliable.
 - ii) Relevant.
 - iii) Realistic.
- (6 marks)

SECTION B (ANSWER ANY TWO QUESTIONS)

QUESTION TWO

- a) State the reasons for maintaining control accounts
- (4marks)
- b) The following information has been extracted from the books of Mutero Traders Limited for the Month of April 2002

Balances as at 1 April 2015:

	Sh.
Sales ledger- Debit balances	838,000
- Credit balances	184,000
Purchases ledger – Debit balances	196,000

- Credit balances	598,000
Transactions during the month:	
Sales on credit	8,784,000
Purchases on credit	7,849,000
Return inwards	248,000
Returns outwards	179,000
Cheques received from trade debtors	2,968,000
Cash paid to trade creditors	4,674,000
Cheques paid to trade creditors	1,393,000
Bad debts written-off	139,000
Discounts allowed to trade debtors	162,000
Discounts received from trade creditors	231,000
Credit sales off-set against credit purchases	356,000
Credit purchase of a motor vehicle posted in the purchases ledger	598,000
Dishonoured cheques from trade debtors	193,000
Cash received to replace dishonoured cheque from trade debtor	106,000
An invoice to trade debtors of sh. 174,000 posted as	147,000

Balances as at 30 April 2015:

Sales ledger credit balances	123,000
Purchases ledger debit balances	177,000

Required:

The sales ledger and Purchases ledger control accounts for the month ended 30 April 2002

(16marks)

QUESTION THREE

J.Mwangi commenced business on 1 January 1999 with a capital of shs. 65,000 in the bank and shs. 10,000 in cash. The transaction of the business during that month were as follows:

January

1. Bought goods on credit
 - B.Aoke sh. 20,000
 - J.Wahome sh. 7,500
 - B.Kinoti Sh. 16,600
2. Paid for shop fitting by cheque sh. 56,000

3. Paid for one month rent by cheque sh. 3,600
4. Sold goods on credit to:
 - W.Sikuti sh. 17,500
 - J.Mbalo sh. 16,600
5. Cash sales sh. 9,000
6. Bought goods on credit from J.Wahome shs. 26,000
7. W.Sikuti and J.Mbalo settled their accounts by cheque less 10% discount in each case
8. Bought goods by cheque sh. 10,000
9. Sold goods to P.Oparo on credit sh.14,000
10. Cash sales sh.12,000
11. Returned goods to J.Wahome sh. 3,700
12. Paid Sundry expenses in cash sh.1,500
13. Sold goods to W.Sikuti on credit sh.8,400 and V.Shiliku sh,16,200
14. Paid B.Aoke and B.Kinoti by cheque the amount due less 5% discount in each case
15. J. Mwangangi took cash for personal use sh.6,000
16. Paid Cash to bank sh. 10,000
17. Paid Wages in cash sh. 12,500

Required

- i. Write up all the ledger accounts and bring down the balance as at 31 January 1999 (12marks)
- ii. Extract a trial balance (8 marks)

QUESTION FOUR

a) Ssemakula, 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.

1. Bank charges of Sh. 3,000 had not been entered in the cashbook
2. Cheques drawn Ssemakula totaling sh. 22,500 had not yet been presented to the bank
3. He had not entered receipts of Sh. 26,500 in his cashbook
4. The bank had not credited Mr. Ssemakula with receipts of sh.98,500 paid into the bank on 30 June 2001
5. Standing order payments amounting to sh. 62,000 had not been entered into the cashbook
6. In the cashbook Ssemakula had entered a payment of sh.74,900 as sh.79,400
7. 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.

8. Ssemakula had brought forward the opening cash balance of sh.329,250 as a debit balance instead of a credit balance

9. An old cheque payment amounting to sh.44,000 had written back in the cashbook but the bank had already honored it.

10. Some of Ssemakula'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 acting on information from his customers Ssemakula had actually entered the expected receipts from the debtors in his cashbook.

Required:

i.) Ssemakula adjusted cashbook balance as at 30 June 2001 (8marks)

ii.) Bank reconciliation statement as at 30 June 2001 (9marks)

b) State and explain any Three causes of differences between cash book balance and the bank statement balance (3 marks)

QUESTION FIVE

a) State and explain using appropriate examples any Five errors that cannot be disclosed by a Trial balance (10 marks)

a) Joe Mapera extracted a trial balance which failed to agree by sh.15, 600 a shortage on the credit side of the trial balance. A thorough examination of the business books disclosed the following errors.

- i. Sales figure was overcast by sh.32,000.
- ii. Cash was overcast by sh.20,000.
- iii. A debtor's account with a balance of sh.21,000 had been omitted.
- iv. A balance of sh.15,200 in the purchases returns account had been omitted.
- v. The bank loan account had been under cast by sh.33, 400.

Required:

- i. The necessary journal entries to correct the above errors (5 marks)
- ii. Suspense account after correction of errors (5 marks)