



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

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT
COURSE CODE: BBA111
COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 15th FEBRUARY, 2021

TIME: 2.00PM -4.00PM

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

QUESTION ONE (COMPULSORY)

- a) Using appropriate examples, explain precisely the following accounting concepts:
- i) Going concern concept
 - ii) Duality concept
 - iii) Consistency concept
 - iv) Historical cost concept
 - v) Materiality concept (10marks)
- b) State and explain in detail any Six users of Financial Accounting information (12marks)
- c) Differentiate between the following terms as used in accounting
- i) Outstanding expenses and prepaid expenses (2marks)
 - ii) Fixed assets and Current liabilities (2marks)
 - iii) Return inwards and return outwards (2marks)
 - iv) Credit note and Debit note (2marks)

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

a) What are the purposes of control accounts

(6 marks)

b) The balances and transactions affecting the control accounts of Kopesha Ltd. For the month of November 1997 are listed below:-

	Sh.
Balances on 1 November 1997:	
Sales Ledger	9,123,000 (Dr)
	211,000 (Cr)
Purchases Ledger	4,490,000 (Cr)
	88,000 (Dr)
Transactions during November 1997:	
	Sh.
Purchases on credit	18,135,000
Allowances from suppliers	629,000
Receipts from customers by cheques	27,370,000
Sale on credit	36,755,000
Discount received	1,105,000
Payments to creditors by cheques	15,413,000
Contra settlements	3,046,000
Bills of exchange receivable	6,506,000
Allowances to customers	1,720,000
Customers cheques dishonoured	489,000
Cash received from credit customers	4,201,000
Refunds to customers for overpayments	53,000
Discounts allowed	732,000
Balances on 30 November 1997:	
Sales ledger	136,000 (Cr)
Purchases ledger	67,000 (Dr)

Required:

- i. Prepare a Sales Ledger Control Account (8 marks)
- ii. Prepare a Purchases Ledger Control Account (6 marks)

- 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

1. The cash book of Ramogi stores had a debit balance of sh 24000 on 30th June 2006. On the same date the bank statement had a credit balance of sh 25900. The two documents were compared and the following differences were realized.
- i) A cheque of sh 7600 deposited on June 29 had not been evident by the bank.
- ii) Cheque no. 003 drawn for sh 5,200 was recorded in the cash book as sh 2500
- iii) The bank had collected cheque from debtors worth sh 9700.
- iv) The bank charges for the month amounted to sh 1600
- v) A cheque issued to a creditor of sh 11,200 was paid by bank as sh 12000
- vi) A cheque drawn against Runninga stores for sh 6800 was charged in error against Ramogi stores account
- vii) A standing order of sh 5500 had been paid by the bank
- viii) A dividend cheque for sh 9000 had been collected and credited by the bank.
- ix) Unrepresented cheques amounted to sh 15,800.

Required:

- a) Prepare an adjusted cash book (5 marks)
- b) Bank reconciliation statement (5 marks)
2. Explain in detail five causes of the differences between cash book balance bank column and the bank statement balance (10 marks)

QUESTION FOUR

QUESTION FIVE

The following transactions of Mr. Ali took place during the month of May, 2003.

May 1 Started firm with capital in cash of Sh.250.

“ 2 Bought goods on credit from the following persons: R Kelly Sh.54; Pcombs Sh.87; J Role Sh.25; D Mobile Sh.76; I. Sims Sh.64.

“ 4 Sold goods on credit to: C Blanes Sh.43; B Long Sh.62; F Skin Sh.176.

“ 6 Paid rent by cash Sh.12.

“ 9 C Blanes paid us his account by cheque Sh.43.

“ 10 F Skin paid us Sh.150 by cheque.

“ 12 We paid the following by cheque: J Role Sh.25; R Kelley Sh.54.

“ 15 Paid carriage by cash Sh.23.

“ 18 Bought goods on credit from P Combs Sh.43; Mobile Sh.110.

“ 21 Sold goods on credit to B Long Sh.67.

“ 31 Paid rent by cheque Sh.18.

Required:

Enter the above transactions in the relevant books of accounts and extract a trial balance.

(20marks)