



KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER

SPECIAL / SUPPLEMENTARY EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA 111 / BBM100

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 15TH FEBRUARY, 2021

2pm - 4pm
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

This Paper Consists of 6 Printed Pages. Please Turn Over.



SECTION A

QUESTION ONE (COMPULSORY)

- a) Using appropriate examples, explain precisely the following accounting concepts:
- i. Going concern concept.
 - ii. Business entity concept.
 - iii. Money measurement concept
 - iv. Substance over form concept. (8 marks)
- b) Differentiate between the following terms as used in accounting
- i) Outstanding expenses and prepaid expenses (2marks)
 - ii) Trial balance and a balance sheet (2marks)
 - iii) Return inwards and return outwards (2marks)
- a) Outline three purposes of preparing a bank reconciliation statement (3 marks)
- b) Explain in detail four purposes of preparing control accounts (4 marks)
- c) Differentiate between revenue expenditure and capital expenditure (4marks)
- d) Briefly explain the difference between book-keeping and Accounting (5marks)

QUESTION TWO

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

QUESTION THREE

a) Discuss the causes of the differences between balance at the bank as per cash book and balance at bank as per bank statement (8 marks)

b) The balance in the cash book of Mr. Otieno as at 30/6/2009 was sh. 58 000. On the same date the balance as per the bank statement was sh. 43 500. On examining the bank statement and the cash book , the following differences were discovered:

- i) Cheques totalling sh. 65 000 had been paid into the bank on 30/6/2009 but were not credited by the bank until 5/7/2009
- ii) Bank charges amount to sh. 2 500
- iii) A standing order to CIC insurance of shs. 5 000 had been paid by the bank but not entered in the cashbook
- iv) Cheques totalling to sh.40 000 had been paid to suppliers but had not been present to the bank
- v) Dividend income amounting sh. 18 000 collected by the bank did not appear in the cash book

Require: a) Adjusted cash book balance (6marks)

b) Bank Reconciliation Statement (6marks)

QUESTION FOUR

- a) The following information was extracted from the books of Kahawa a Sole Trader for the month of March 2010.

Balances on 1 January 2010

	Sh.
Sales Ledger	46,462 (Dr) 245 (Cr)
Purchases Ledger	1,472 (Dr) 25,465 (Cr)

Transactions during the year:

	Sh.
Purchases	76,474
Sales	126,024
Purchases returns	2,154
Debtors Accounts settled by contra accounts with creditors	455
Bad debts written off	1,253
Discounts and allowances to customers	746
Cash recieved from customers	120,464
Cash discount received	1,942
Cash paid to creditors	70,476
Cash paid to customers	54

Required:

- i. Prepare a Sales Ledger Control Account (10 marks)
- ii. Prepare a Purchases Ledger Control Account (10 marks)

QUESTION FIVE

a) The following trial balance has been extracted from the ledger of Mr. A. Smith, a sole trader, as at 31 May 2009, the end of his most recent financial year.

A. Smith
Trial Balance as at 31 May 2009

Details	Dr	Cr
	Sh	Sh
Property at cost	90,000	
Equipment at cost	57,500	
Provision for depreciation (as at 1 June 2008)		
Property		12,500
Equipment		32,500
Stock as at 1 June 2008	27,400	
Purchases	259,600	
Sales		405,000
Discount	3,370	
Discount		4,420
Wages and salaries	52,360	
Bad debts	1,720	
Loan interest	1,560	
Carriage outwards	5,310	
Other operating expenses	38,800	
Trade Debtors	46,200	
Trade creditors		33,600
Provision for bad debts		280
Cash on hand	151	
Bank overdraft		14,500
Drawings	28,930	
13% loan		12,000
Capital, as at 1 June 2008		98,101
	<u>612,901</u>	<u>612,901</u>

The following additional information as at 31 May 2009 is available:

- i. Stock as at the close of business was valued at sh. 25,900
- ii. Depreciation for the year ended 31 May 2009 has yet to be provided as follows:
 - Property - 1% using the straight line method
 - Equipment - 15% using the straight line method

- iii. Wages and salaries are accrued by sh. 140
- iv. Other operating expenses include certain expenses prepaid by sh.500. Other expenses included under this heading are accrued by sh. 200
- v. The provision for bad debts is to be adjusted so that it is 0.5% of trade debtors as at 31 May 2009.

Required:

- i. Trading profit and loss account for Mr. A. Smith as at 31 May 2009 (10 marks)
- ii. Balance sheet as at 31 May 2009 (10 marks)