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KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR
FIRST YEAR FIRST SEMESTER
SPECIAL / SUPPLEMENTARY EXAMINATIONS
FOR THE DEGREE OF BUSINESS MANAGEMENT

COURSE CODE: BBA 111

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 24TH SEPTEMBER, 2021

TIME: 11.00AM – 1.00PM

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) The following Trial Balance was extracted from the books of Mutio, a sole owner in Majengo Estate for the year ended 31 December 2010.

| | Dr. Sh. | Cr. Sh. |
|--|----------------|----------------|
| Sales | | 400,000 |
| Purchases | 350,000 | |
| Sales returns | 5,000 | |
| Purchases returns | | 6,200 |
| Opening stock at 1 st Jan, 2010 | 100,000 | |
| Provision for bad debts | | 800 |
| Wages and salaries | 30,000 | |
| Rates | 6,000 | |
| Telephone | 1,000 | |
| Shop fittings at cost | 40,000 | |
| Van at cost | 30,000 | |
| Debtors and Creditors | 9,800 | 7,000 |
| Bad debts | 200 | |
| Capital | | 179,000 |
| Bank balance | 3,000 | |
| Drawings | <u>18,000</u> | |
| | <u>593,000</u> | <u>593,000</u> |

Additional information:

- i. Closing stock at 31 December, 2010 Sh.120,000
- ii. Accrued wages Sh.5,000
- iii. Rates prepaid Sh.500
- iv. Provision for bad debts to be increased to 10% of debtors
- v. Telephone account outstanding Sh.220
- vi. Depreciate shop fittings at 10% per annum, and Van at 20% per annum on cost.

Required:

- i. Trading, Profit and Loss account for the year ended 31.12.2010 (12 marks)
- ii. A balance sheet as at that date (10 marks)

- b) Differentiate between
- i) Outstanding expenses and prepaid expenses (4marks)
 - ii) Trial balance and balance sheet (4marks)

SECTION B (ANSWER ANY TWO QUESTIONS)

QUESTION TWO

- a) Give the journal entries needed to record the corrections of the following (15marks)
- i) Extra capital of sh. 10 000 paid into the bank had been credited to sales account
 - ii) Goods taken for own use worth sh.7 000 had been debited to general expenses
 - iii) Private insurance worth sh. 890 had been debited to insurance account
 - iv) Purchase of goods from C. Kelly worth sh. 8570 had been entered in the books as sh. 5870
 - v) Cash banked of sh.3900 had been credited to the bank column and debited to the cash column in the cash book
 - vi) Cash drawings of sh. 4000 had been credited to the bank column of the cash book
 - vii) Return inwards worth sh. 1680 from M. Carthy had been entered in error in J. Charlton account
 - viii) A sale of a motor van worth sh. 1 000 had been credited to motor expenses account

QUESTION THREE

Write up a two-column cash book from the following details, and balance 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.100. |
| | 3 | F.lake lent us sh.5,000, paid by cheque. |
| | 4 | We paid B Mc Kenzie by cheque sh. 650 |
| | 5 | Cash sales sh.980 |
| | 7 | N. Miller paid us by cheque sh.620. |
| | 9 | We paid B Burton in cash sh.220. |
| | 11 | Cash sales paid direct into the bank sh.530 |
| | 15 | G. Moores paid us in cash sh.650 |
| | 16 | We took sh.500 out of the cash till and paid it into the bank account. |
| | 19 | We repaid F. Lake sh.1,000 by cheque. |
| | 22 | Cash sales paid direct into the bank sh.660 |
| | 26 | Paid motor expenses by cheque sh.120 |

- 30 Withdrew sh.1000 cash from the bank for business use.
31 Paid wages in cash sh. 970 (20 marks)

QUESTION FOUR

- a) Explain Five users of accounting information in an organization (10marks)
b) Discuss at least any five concepts used by accountants worldwide (10marks)

QUESTION FIVE

- 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 (10 marks)
- b) State and explain any Five causes of differences between cash book balance and the bank statement balance. (10 marks)