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KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER

MAIN EXAMINATION

**FOR THE DEGREE OF BACHELOR OF COMMERCE / BACHELOR OF
BUSINESS MANAGEMENT / BACHELOR OF CO-OPERATIVE AND
ENTREPRENEURSHIP**

COURSE CODE: BCA 111 / BBA 111 / BCA 110

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 13-5-2021 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

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

Handwritten notes and signatures:
Eliza
Khaty
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SECTION A (COMPULSORY)

QUESTION ONE

- a) Using appropriate examples, explain precisely the following accounting concepts:
- i. Business entity concept.
 - ii. Duality concept.
 - iii. Materiality concept.
 - iv. The going concern concept.
 - v. Periodicity concept. (10marks)
- b) State and explain in detail any Five users of Financial Accounting information (10marks)
- c) Describe Five causes of the changes in capital (4marks)
- d) Briefly discuss the rules of double entry aspects (6marks)

SECTION B (ANSWER ANY TWO QUESTIONS)

QUESTION TWO

- a) Briefly explain Five errors that affect the balancing of the trial balance (10marks)
- b) Your book keeper extracted a trial balance on 31 December 2010 which failed to agree by Sh.210, a shortage on the credit side of the trial balance. A suspense account was opened for the difference. In January 2011 the following errors made in 2010 were found:
- i. Sales day book had been undercast by Sh.200
 - ii. Sale of Sh.610 to T.Vantuiria had been debited in error to T.Ventura's account
 - iii. Rent account had been undercast by sh.90
 - iv. Discount allowed account had been overcast by sh.100
 - v. The sale of a computer at net book value had been credited in error to the sales account Sh.230

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 (5 marks)

QUESTION THREE

- a) Outline the purpose 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 FOUR

- a) The following are extracts from Cash book and the bank statement of Mr. Ali a Sole trader as at 31 December 2001.

BANK ACCOUNT

| 2001 | | Ksh. | 2001 | Ksh. |
|--------|----------------|--------------|------------------------|--------------|
| Jan 1 | Balance b/d | 6,000 | Jan 1 cheque to Owino | 400 |
| Jan 3 | Cash | 500 | Jan 6 cheque to Peter | 150 |
| Jan 5 | Cheque – Kiiru | 85 | Jan 6 cheque to Riungu | 105 |
| Jan 7 | Cheque – Lobo | 220 | Jan 7 cheque to Sembi | 365 |
| Jan 9 | Cheque – Maina | 155 | Jan 8 cheque to Thimbi | 1120 |
| Jan 11 | Cheque - Ndisi | 360 | Balance c / d | 5180 |
| | | 7,320 | | 7,320 |
| | b/d | 5,180 | | |

| 2001 | BANK STATEMENT | DR | CR | BALANCE |
|--------|------------------------------------|-----|-----|---------|
| Jan 1 | Balance b/d | | | 6,000 |
| Jan 2 | Cheque no 9976 | 400 | | 5,600 |
| Jan 3 | Cash | | 500 | 6,100 |
| Jan 4 | Charges | 20 | | 6,080 |
| Jan 5 | Cheque deposit | | 85 | 6,165 |
| Jan 6 | Cheque no 9977 | 150 | | 6,015 |
| Jan 7 | Cheque deposit | | 220 | 6,235 |
| Jan 8 | Cash deposit (by Obae) | | 600 | 6,835 |
| Jan 9 | Cheque dishonoured | 85 | | 6,750 |
| Jan 10 | Standing order (insurance premium) | 560 | | 6,190 |
| Jan 11 | Cheque no. 9978 | 105 | | 6,085 |