



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

**FOR THE DEGREE OF BACHELOR OF COOPERATIVE AND
ENTREPRENUERSHIP**

COURSE CODE: BCA 110

COURSE TITLE: FINANCIAL ACCOUNTING

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

This Paper Consists of 5 Printed Pages. Please Turn Over.

SECTION A

QUESTION ONE (COMPULSORY)

- a) Using appropriate examples define precisely the following accounting concepts and for each explain their implication in the preparation of financial statements.
- i. Objectivity concept.
 - ii. Consistency concept.
 - iii. Periodicity concept.
 - iv. Business entity concept.
 - v. Substance over form concept. (10 marks)
- 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. Trial balance and Balance sheet (2marks)

SECTION B

QUESTION TWO

- 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	Chequedishonoured	85		6,750
Jan 10	Standing order (insurance premium)	560		6,190
Jan 11	Cheque no. 9978	105		6,085

Required:

Prepare an updated Cash book and a bank reconciliation statement (10marks)

- b) Explain in detail five causes of the differences between the cash book balance and the bank statement balance (10marks)

QUESTION THREE

- a) State and explain using appropriate examples any six errors that cannot be disclosed by a Trial balance (12 marks)
- 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.Vantuirra 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 (3 marks)

QUESTION FOUR

Write up the following transactions in the books of S Pink and extract a trial balance once all the postings have been made in the relevant accounts. (20marks)

2003

March 1 Started business with cash Sh.1,000.

“ 2 Bought goods on credit from A Clinks Sh.296.

“ 3 Paid rent by cash Sh.28.

“ 4 Paid Sh.1,000 of the cash of the firm into a bank account.

“ 5 Sold goods on credit to J Simpson Sh.54.

“ 7 Bought stationery Sh.15 paying by cheque.

“ 11 Cash sales Sh.49.

“ 14 Goods returned by us to A Clinks Sh.17.

“ 17 Sold goods on credit to P Lutz Sh.29.

“ 20 Paid for repairs to the building by cash Sh.18.

“ 22 J Simpson returned goods to us Sh.14.

“ 27 Paid A Clinks by cheque Sh.279.

“ 28 Cash purchases Sh.125.

“ 29 Bought a motor vehicle paying by cheque Sh.395.

“ 30 Paid motor expenses in cash Sh.15.

“ 31 Bought fixtures Sh.120 on credit from R west.

QUESTION FIVE

The following figures were extracted from the records of D & W Ltd. For the 6 months ended 30 June 1990.

Opening balances on 1 January 1990		Shs.
	Sales ledger	142,800 (Dr)
	Purchases ledger	1,050 (Dr)
	Sales ledger	4,050 (Cr)
	Purchases ledger	55,380 (Cr)
Sales ledger debit balances offset against purchases ledger		3,690
Discount allowed		20,970
Discount received		14,250
Purchases (including cash purchases of Shs. 2,000)		120,200
Cash sales		61,800
Credit sales		206,820
Credit note issued to customers for goods returned		7,500
Cash purchases		13,200
Payment to creditors		115,920
Interest charged by creditors on overdue accounts		6,900
Receipts from customers		157,800
Bad debts written off		3,720
Customers unpaid cheques		2,610
Interest charged to customers		9,600
Debt collection expenses charged to debtors	1,080	
Credit notes received for goods returned to suppliers	2,670	
Balances on 30 th June 1990	Purchases ledger	1,440 (Dr)
	Sales Ledger	5,070 (Cr)

Required:

Prepare the purchases and Sales ledger control accounts for the six months ended 30th June 1990. (20 marks)