



*(Knowledge for Development)*

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2019/2020 ACADEMIC YEAR**  
**FOURTH YEAR FIRST SEMESTER**  
**MAIN EXAMINATION**

**FOR THE CERTIFICATE IN BUSINESS MANAGEMENT**

**COURSE CODE: FUNDAMENTALS / FOUNDATIONS OF ACCOUNTING**

**COURSE TITLE: CIB 101**

**DATE: 11<sup>TH</sup> FEBRUARY, 2021      TIME : 2.00 – 4.00PM**

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**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

**SECTION A (COMPULSORY)**  
**QUESTION ONE**

- (a) What is accounting? (2 marks)
- (b) Explain five accounting principles (10 marks)
- (c) List four functions of accounting (8 marks)
- (d) Required prepare a three-column cashbook for Kibabii stores from the following details, balanced off, and the relevant discount accounts in the general ledger shown. (10mks)

2018

Mar 1 Balances brought forward: Cash Sh .230; Bank Sh .4,756.

“ 2 paid the following accounts by cheque, in each case having deducted 5 percent discounts: R Burton Sh 140; E Taylor Sh. 220; R Harris Sh 800.

“ 4 Paid rent by cheque Sh.120.

“ 6 Sold goods worth sh 1000 cash

“ 10 Paid motor expenses in cash Sh 44.

“ 12 H Hankins pays his account of Sh. 77, by chequeSh 74, deducting Sh 3 cash discount.

“ 15 Paid wages in cash Sh. 160.

“ 21 Cash withdrawn from the bank Sh 350 for business use.

“ 24 Withdrew Sh 120 for personal use.

“ 25 Paid T Briers his account of Sh 140, by cash Sh 133, having deducted Sh 7 cash discount.

“ 29 Bought goods paying by chequeSh 650.

“ 31 Received commission by chequeSh 88.

**SECTION B: CHOOSE ANY TWO QUESTIONS**

**QUESTION TWO**

(a). Complete the following table, showing the accounts to be debited and those credited.

(10mks)

Account to be

Account to be

Debited

Credited

i) Paid insurance by cheque

ii) Paid motor expenses by cash

iii) Rent received in cash

iv) Paid insurance by cheque

v) Received commission by cheque

vi) Paid for stationary expenses by cash

vii) Paid wages by cash

viii) Sold surplus stationary receiving process by cheque

ix) Received sales commission by cheques

x) Bought motor van by cheque

(b). Outline and explain the five qualities good accounting information

(10mks)

### QUESTION THREE

The following transactions of James traders in 2015

2015

April:

- 1.Started a business with sh 5000 cash
- 2.Received loan of sh 3000 from smith
- 5.Bought machinery for cash sh 2000
- 9.Bought goods on credit from David for sh 500
- 14.Bought goods worth sh 800 paid by cheque
- 16.Sold goods for cash sh 1000
- 19.Paid general expenses by chequesh 90
- 23.Paid wages by cash sh 150
- 24.Bought goods on credit from Kibabii traders worth sh 2000
- 25.Returned damaged goods to Kibabii traders worth sh 500
- 26.Sold goods to Mwajuma worth sh 4000 on credit
- 27.Mwajuma returned damaged goods supplied to her worth sh 500

Required

a) Prepare the ledger accounts for the above transactions and balance off on 30th April 2015 where necessary

(12mks)

b) Extract the trial balance for the accounts as 30th April 2015 (8mks)

### QUESTION FOUR

(a) The following transactions are for Wilson traders. Required to enter the books of subsidiary and post to the ledger accounts balanced off where necessary on 31st May 2019. (10mks)

2019

May:

- 1: Sold goods to wafula on credit of ksh 2000, invoice no 114
- 2: Sold to the following debtors on credit; Wanjiruksh 4000 invoice no. 002 and Musyokaksh 300 invoice no. 004
- 3: Goods that had been sold to Wanjiru of shs 2600 on credit was returned to the business. Credit note no.012
5. Bought goods worth shs 25 000 on credit from Juma, Invoice no 117.
6. Bought goods worth sh 2000 on credit from Erick
15. Bought goods worth shs 16 500 from kamau on credit, invoice no 119
16. Returned goods worth shs 400 that had been bought from Kamau, credit note no 56

(b) Identify and explain 5 users of accounting information (10mks)

### QUESTION FIVE

The following is the trial balance extracted from the books of a sole trader AK David at 31st

December 2009.

|                        | DR | CR      |
|------------------------|----|---------|
| Stock 1st January 2009 |    | 50,000  |
| Freehold premises      |    | 240,000 |
| Bills receivable       |    | 30,000  |
| Purchases              |    | 280,000 |
| Salaries and wages     |    | 35,000  |
| Sales                  |    | 520,000 |
| Fixtures and fittings  |    | 25,000  |
| Discount allowed       |    | 7,500   |
| Discount received      |    | 4,500   |
| Plant and machinery    |    | 140,000 |
| Rates                  |    | 5,600   |
| Advertising            |    | 10,400  |
| Insurance              |    | 3,800   |
| General expenses       |    | 7,200   |

|                         |         |         |
|-------------------------|---------|---------|
| Provision for bad debts | 1,800   |         |
| Sundry debtors          | 60,000  |         |
| Bills payable           |         | 15,000  |
| Sundry creditors        |         | 43,000  |
| Cash in hand            | 2,400   |         |
| Bank overdraft          |         | 18,600  |
| Drawings                |         | 6,000   |
| Capital                 |         | 300,000 |
|                         | 902,600 | 902,600 |

The following additional information is provided

- a) Provide for depreciation of plant and machinery 10% p.a and Fixtures and fittings 15% p.a
- b) Increase the provision for bad debts to amount equal to 4% p.a of sundry debtors
- c) Prepaid insurance amounts to sh 500
- d) Rates accrued sh 400
- e) Closing stock sh 60,000
- f) During the year Mr AK David took goods sh 2000 for personal use

Required

- (a) Prepare Trading, profit and loss account for the year ending 31st December 2009  
(12mks)
- (b) Prepare balance sheet as at that date (8mks)