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KIBABII INIVERSITY

SPECIAL EXAMS

DIB 100

INTRODUCTION TO FINANCIAL ACCOUNTING

Answer question one plus any other two questions

Question One (30 Marks)

- a. John Ogalo has been appointed a chief cashier of the famous Nzoia Sugar Company Limited which is situated in the Western part of Kenya and the Management has tasked him to write a paper on the types prime books. Explain what these entail giving a full account of each. (10 Marks)
- b. The Accounting language is full of principles, conventions and assumptions which make the financial reports legitimate, authenticate and reliable. Explain any ten of the above using information covered at diploma level in Kibabii University. (20 Marks)

Question Two (20 Marks)

- a. Explain the accounting equation and provide its formula as given by IFRS and other profesco accounting and finance bodies globally (4 Marks)
- b. Describe the errors that do not affect the balancing of the trial balance in your organization (16 Marks)

Question Three (20 Marks)

Kibabii Nyamweya a sole proprietor started a business on 1st of January 2014 with a capital of Ksh. 1,000,000 which he deposited on his bank account in Absa bank Bungoma branch. The following transactions took place in the month of January:

1. He purchased merchandize worth Ksh.300, 000 from ABC Company Ltd on 2 nd January 2014 and paid by cheque
2. On 4 th January 2014, he purchased more stock amounting to Ksh.500, 000 from XYZ Company Ltd on credit
3. On 5 th January 2014, he sold stock worth Ksh. 400,000 to Mugaisi traders. Mugaisi paid for these sales, Ksh.100,000 cash and Ksh. 300,000 by cheque

4. He purchased a business van valued at Ksh. 350,000 from motors Ltd on 6 th January 2014 on credit
5. On 8 th January 2014, he sold his old personal car at Ksh. 500,000 to Kima theological College and brought the proceeds into the business to boost up his capital. Kima paid for the vehicle by cheque
6. He made more sales to Timau timber traders who upon receipt of goods made a promise to settle his indebtedness by end of April 2014. The value of these sales was Ksh.200,000
7. On 10 th January 2014, he paid his worker Mr. John Wakasombo salary of Ksh. 50,000 by cheque
8. On 20 th January 2014, he paid for electricity and water an amount worth Ksh. 20,000 by cheque
9. On 22 nd January 2014, he purchased more stock from Joyland traders valued at Ksh. 600,000 on credit
10. On 30 th January 2014, he sold stock to Jamii enterprises worth Ksh. 500,000. This amount was made good of by cheque

Required:

Prepare a trial balance, income statement and balance sheet arising from the above transactions

Question Four (20 Marks)

The language of harmonization in Accounting is neither English nor Latin. Respond to the above Statement by explaining how accounting in the world has been brought together into a single Package by the help of its language using the Generally Accepted Accounting Principles (GAAP) (20 Marks)

Question Five (20 Marks)

- a. Discuss the factors that affect the bank reconciliation statements of banks in Kenya (14 Marks)

- b. The assets and liabilities of XYZ Company Limited as at 1.01.2020 were as follows:-
- i. Land and Buildings Ksh. 1,200,000.
 - ii. Furniture and fittings Ksh. 600,000.
 - iii. Plant and machiner Ksh. 2,500,000.
 - iv. Motor Van Ksh. 800,000
 - v. Receivables Ksh. 500,000.
 - vi. Inventory Ksh. 750,000
 - vii. Payables Ksh. 450,000.
 - viii. Bills outstanding Ksh. 400,000

Required:

State the missing item and use the accounting equation to calculate it (6 Marks)