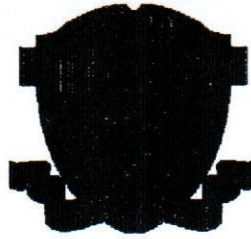


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*(Knowledge for Development)*

**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2020/2021 ACADEMIC YEAR**

**FIRST YEAR SECOND SEMESTER**

**SPECIAL/SUPPLEMENTARY EXAMINATION**

**FOR THE DIPLOMA OF EDUCATION**

**COURSE CODE: EDB 104**

**COURSE TITLE: FOUNDATIONS OF  
ACCOUNTING II**

**DATE: 04/10/2021      TIME: 8.00 AM - 10.00 A.M**

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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

KIBUCO observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over. 

## SECTION A (COMPULSORY)

### QUESTION ONE

Mr. Chai has been trading as a sole trader and has extracted the following balances as at 30 April 2010.

	Sh.
Capital	83,887
Sales	259,870
Trade Payable	19,840
Returns out	13,407
Allowance for Doubtful Debts	512
Discounts allowed	2,306
Discount received	1,750
Purchases	135,580
Returns inwards	5,624
Carriage outwards	4,562
Drawings 18,440	11,830
Carriage inwards	25,973
Rent, Rates and Insurance	11,010
Heating and Lighting	2,410
Postage, stationery and telephone	5,980
Advertising	38,521
Salaries and Wages	2,008
Bad Debts	534
Cash in hand	4,440
Cash at Bank	

Inventory (1 <sup>st</sup> May 2009)	15,654
Trade receivable	24,500
Fixtures and Fittings at cost	120,740
Provision for Depreciation on fixtures and fittings	50,946

**Additional information:**

Inventory on 31 December 2012 was valued at sh. 17,750

Depreciation on fixtures and fittings is provided at 10 percent on cost

Insurance was prepaid by sh. 1,120

Heating and lighting is accrued by sh. 1,360

Rates were prepaid by sh. 5,435

Allowances for doubtful debts are to be adjusted to 3 percent of trade receivable .

**Required:**

Prepare Mr. Chai's income statement for the year ended 30 April 2010 and a statement of financial position as at that date (30mks).

**SECTION B (CHOOSE ANY TWO QUESTIONS)**

**QUESTION TWO**

A business started trading on 1<sup>st</sup> January 2010. During the two years ended 31 December 2010 and 2011 the following debts were written off to the bad debts accounts on the stated dates

31 May 2010	F. Lamb	Sh.2000
31 October 2010	A. Clover	Sh. 3000
31 January 2011	D. Ray	sh.1000
30 June 2011	P. Clark	sh. 4000
31 October 2011	J. Will	sh .500

On 31 December 2020, the total accounts receivable was sh. 550,000. It was decided to make an allowance for doubtful debts of Sh. 8,000.

On 31 December 2011 the total accounts receivable was sh.590, 000. It was decided to make an allowance for doubtful debts sh. 9000.

**Required:**

- (i) The bad debts account and the allowance for doubtful debts accounts for each of the two years
- (j) The relevant extracts from the statements of financial position as at 31 December 2010 and 2011

**QUESTION THREE**

(i) Define depreciation  
(3mks)

(ii) What are the causes of depreciation

(8mks)

(iii) State and explain the various methods of calculating for depreciation

(12 marks)

#### QUESTION FOUR

The following information refers to the sales information of Mr. Wanjala's Accounts:

		Sh.
2012		
Aug 1	Sales ledger - Debit Balances	3,816
1	Sales ledger - Credit balances	22
31	Transactions for the month	
	Cash received	104
	Cheques received	6,239
	Sales	7,090
	Returns inwards	664
	Bad debts written off	306
	Returns inward	298
	Cash refunded to a customer	37
	Dishonored cheques	29
	Interest charged on overdue debt	50
	Sales Ledger - Debit Balances	3,429
	Sales Ledger - Credit balances	40

**Required:**

- (i) Define control accounts and state their purpose (10 marks)
- (ii) Prepare a sales ledger control account at the end of April 2012. (10mks).

### QUESTION FIVE

The following are extracts of the cash book and the bank statement of Kibabii University

Dr Cash book Cr

Dates	Dr	Ksh	2012		kshs
Dec 1	Bal b/d	3419	Dec 8	B. Young	462
Dec 7	F. Lamb	101	Dec 15	F. Gray	21
Dec 22	G. Brock	44	Dec 28	T. Errant	209
Dec 31	W. Terry	319	Dec 31	Bal c/d	3437
Dec 31	S. Miller	<u>246</u>			
		<u>4129</u>			<u>4129</u>

### Bank statement

2012		Dr	Cr	
		Balance		
		Sh	sh	sh
Dec 1	balance b/d			3,419
Dec 7	cheque		101	3,520
Dec 11	B. Young	462		3,058
Dec 20	F. Gray	21		3,037
Dec 22	Cheque		44	3,081
Dec 31	credit transfer: T. Morris		93	3,174
Dec 31	Bank charges	47		3,127

**Required:**

- (i) write the updated cash book
- (ii) Draw up the bank reconciliation statement as on 31 December 2012.  
(20mks)