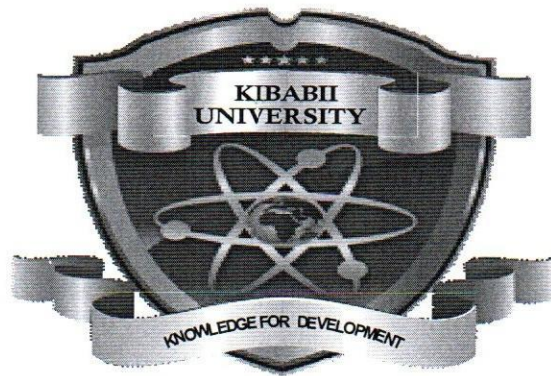


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*(Knowledge for Development)*

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2020/2021 ACADEMIC YEAR**

**MAIN EXAMINATION**

**FOR THE DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DIB 100**

**COURSE TITLE: INTRODUCTION TO FINANCIAL ACCOUNTING**

**DATE: 21/07/2021 TIME: 9.00 AM – 11.00 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 2 Printed Pages. Please Turn Over.

**SECTION A: ONE COMPULSORY QUESTION**

**Q1 a)** Define the term Accounting giving its Main components

**(5marks)**

b) What are the key differences between book-keeping and accounting

**(5marks)**

c) The following trial balance was extracted from the books of Rodney, a sole trader, at 31<sup>st</sup> December 2019:

	Shs	Shs.
Drawings/Capital	2,148	20,271
Debtors/Creditors	7,689	5,462
Purchases/Sales	62,101	81,742
Rent and Rates	880	
Light and heat	246	
Salaries and wages	8,268	
Bad debts	247	
Provision for bad debts		326
Stock in trade 31 <sup>st</sup> Dec 2018	9,274	
Insurance	172	
General Expenses	933	
Bank balances	1,582	
Motor van at cost/Provision for depreciation	8,000	3,6000
Proceeds on sale of van		250
Motor expenses	861	
Freehold premises at cost	15,000	
Rent received		750
Provision for depreciation on buildings		<u>5,000</u>
	<u>117,401</u>	<u>117,401</u>

The following matters are to be taken in to account:

1. Stock in trade at 31<sup>st</sup> December 2019 was Shs.9,884
2. Rates paid in advance at 31<sup>st</sup> December 1997, Shs.40
3. Rent receivable due at 31<sup>st</sup> December 1997, Shs.250
4. Lighting and heating due at 31<sup>st</sup> December 1997, sh.85
5. Provision for doubtful debts to be increased to Shs.388
6. Included in the amount for insurance Shs.172, is an item for Shs82 for motor insurance and this amount should be transferred to motor expenses.
7. Depreciation has been and is to be charged on vans at an annual rate of 20% on cost.
8. Depreciate buildings Shs.500
9. On 1<sup>st</sup> January 1997 a van which had been purchased for Shs.1,000 on 1<sup>st</sup> January 1994 was sold for Shs250. The only record of matter is the credit of Shs.250 to "Proceeds of sale on van" account.

**Required:**

A Trading Profit and Loss account for the year ended 31<sup>st</sup> December 1997 and a Balance Sheet as at date using vertical format.

(20Marks)

### Section B: Choose Any Two QUESTIONS

**Q2** Write up the asset, capital and liabilities accounts in the books of Khetias Enterprise to record the following transactions.

2015

June 1 Started business with Kshs 500,000.00 in the bank

June 2 Bought motor van paying by cheque Ksh 120,000.00

June 5 Bought office fixtures Ksh 40,000.00 on credit from young Limited

June 8 Bought motor van from supper motors Kshs 80,000.00

June 12 Took kshs 10,000.00 out of bank and put it into the cash till

June 15 Bought office fixtures paying by cash Ksh 6,000.00

June 19 Paid supper Motors a cheque for Kshs 80,000.00

June 21 A Loan of Kshs 100,000.00 cash is received from J Jarvins

June 25 Paid Kshs 80,000.00 of the cash in hand into the Bank account

June 30 Bought more office fixtures paying by cheque Kshs 30,000.00

(20marks)

**Q3 (a)** You are to show the journal entries necessary to record the following items

a) 20X5 May 1 Bought a motor vehicle on credit from Kingston Garage, for kshs 6,790.00

b) 20X5 May 3 A debt of ksh 34.00 owing from H Newman was Written off as bad debt

c) 20X5 May 8 Office furniture bought by us for kshs 490.00 was returned to the supplier Unique Offices, as it was unsuitable. Full allowance will be given us.

d) 20X5 May 12 We are owed kshs 150.00 by W Charles. He is declared bankrupt and we received kshs 39.00 in full settlement of the debt.

e)20X5 May 14 We take kshs 45.00 goods out of the business stock without paying for them.

f)20X5 May 28 Some time ago we paid an insurance bill thinking that it was all in respect of the business. We now discover that kshs 76.00 of the amount was infact insurance of our private house.

g)20X5 May 28 Bought machinery kshs 980.00 on credit from systems Accelereted

(10marks)

(b) Kathryn Rochford keeps her petty cash book on the imprest system, the imprest being kshs 2500.00. For the month of April 2010 her petty cash transactions were as follows ;

April 1 Petty cash balance kshs  
113.00

April 2 Petty cashier presented vouchers to cashier and obtained cash to restore the imprest  
ksh2387.00

April 4 Bought postage stamps  
kshs 850.00

April 9 Paid to Courtney Bishop a creditor  
kshs 235.00

April 11 Paid bus fare  
kshs 172.00

April 17 Bought envelopes  
kshs 70.00

April 23 Paid for Telephone calls  
kshs 68.00

April 26 Bought petrol  
ksh1000.00

### **Required**

(1) Enter the a above transactions in the petty cash book and balance the petty cash book at 30th April 2010, bringing down the balance on may 1st

**(10marks)**

**Q4**

The following information relates to Nicelovelly traders for the month of June 2019

June 1: Sold goods to wafula on credit of ksh 200, invoice no 0114

2: Sold to the following debtors on credit; Wanjiru ksh 400, Musyoka ksh 300, Wafula ksh 300

5: sold goods on credit to Wanjiru of ksh 300

10: Sold goods to the following on credit Kanini ksh 100, Wafula ksh 500, Wanjiru ksh 600

12: Sold goods on credit to musyoka of ksh 350

**Required:**

Prepare the relevant day book for the above transactions; hence post the various amounts to their respective individual accounts

**(20Marks)**

Q5 a) What are the uses of general journal

**(8marks)**

b) What are the errors not disclosed by the Trial balance

**12marks)**

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**GOOD LUCK**

**GOOD LUCK**