



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

FOR THE DEGREE OF BACHELOR OF EDUCATION ARTS

COURSE CODE: BBM 100

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 15TH JULY, 2021

TIME: 9.00AM – 11.00AM

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 4 Printed Pages. Please Turn Over.

SECTION A (COMPULSORY)

QUESTION ONE

- a) Using appropriate examples define precisely the following accounting concepts and for each explain their implication in the preparation of financial statements.
- i. Periodicity concept.
 - ii. Duality concept.
 - iii. Accrual concept.
 - iv. Business Entity concept.
 - v. Going concern concept. (10marks)
- b) State and explain in detail any Five users of Financial Accounting information (10marks)
- c) State and briefly explain any four business source documents (4marks)
- d) Describe three factors that affect the changes in capital (6 marks)

SECTION B (ANSWER ANY TWO QUESTIONS)

QUESTION TWO

- a) State the reasons for maintaining control accounts (4marks)
- b) The following information has been extracted from the books of Mutero Traders Limited for the Month of April 2002

Balances as at 1 April 2015:

	Sh.
Sales ledger- Debit balances	838,000
- Credit balances	184,000
Purchases ledger – Debit balances	196,000
- Credit balances	598,000
Transactions during the month:	
Sales on credit	8,784,000
Purchases on credit	7,849,000
Return inwards	248,000
Returns outwards	179,000

Cheques received from trade debtors	2,968,000
Cash paid to trade creditors	4,674,000
Cheques paid to trade creditors	1,393,000
Bad debts written-off	139,000
Discounts allowed to trade debtors	162,000
Discounts received from trade creditors	231,000
Credit sales off-set against credit purchases	356,000
Credit purchase of a motor vehicle posted in the purchases ledger	598,000
Dishonoured cheques from trade debtors	193,000
Cash received to replace dishonoured cheque from trade debtor	106,000
An invoice to trade debtors of sh. 174,000 posted as	147,000

Balances as at 30 April 2015:

Sales ledger credit balances 123,000

Purchases ledger debit balances 177,000

Required:

The sales ledger and Purchases ledger control accounts for the month ended 30 April 2002

(16marks)

QUESTION THREE

- 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		

Required:

- i. The necessary journal entries to correct the above errors (5 marks)
- ii. Suspense account after correction of errors (5 marks)

QUESTION FIVE

The following transactions of Mr. Ali took place during the month of May, 2003.

May 1 Started firm with capital in cash of Sh.250.

“ 2 Bought goods on credit from the following persons: R Kelly Sh.54; Pcombs Sh.87; J Role Sh.25; D Mobile Sh.76; I. Sims Sh.64.

“ 4 Sold goods on credit to: C Blanes Sh.43; B Long Sh.62; F Skin Sh.176.

“ 6 Paid rent by cash Sh.12.

“ 9 C Blanes paid us his account by cheque Sh.43.

“ 10 F Skin paid us Sh.150 by cheque.

“ 12 We paid the following by cheque: J Role Sh.25; R Kelley Sh.54.

“ 15 Paid carriage by cash Sh.23.

“ 18 Bought goods on credit from P Combs Sh.43; Mobile Sh.110.

“ 21 Sold goods on credit to B Long Sh.67.

“ 31 Paid rent by cheque Sh.18.

Required:

Enter the above transactions in the relevant books of accounts and extract a trial balance.

(20marks)