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(KNOWLEDGE FOR DEVELOPMENT)

**KIBABII UNIVERSITY
MAIN CAMPUS
UNIVERSITY EXAMINATIONS
2016/2017 ACADEMIC YEAR
FIRST YEAR FIRST SEMESTER
SPECIAL / SUPPLEMENTARY EXAMINATION
FOR THE CERTIFICATE IN BUSINESS MANAGEMENT
COURSE CODE: CIB 101
COURSE TITLE: FUNDAMENTALS OF ACCOUNTING
DATE: 20TH SEP 2017 TIME: 11.30 AM
INSTRUCTION TO CANDIDATES
ATTEMPT QUESTION ONE AND TWO OTHER QUESTIONS
TIME: 2 HOURS**

KIBU OBSERVES ZERO TOLERANCE TO EXAMINATION CHEATING

SECTION A (COMPULSORY)

QUESTION ONE

1.(a) List and explain five source documents of a business entity (10 marks).

1. (b) Mr. Geoffrey's trial balance as at 31 December 2015 is as follows:

	Dr.	Cr.
	Sh. '000'	Sh. '000'
Cash in hand	295	
Debtors	12,300	
Purchases	92,100	
Returns inwards / outwards	550	307
Carriage inwards	215	
Creditors		9,370
Stock 31/12/14	23,910	
Motor van	4,100	
Office equipment	6,250	
Carriage outwards	309	
Sales		130,900
Capital		22,535
Cash at bank	3,115	
Motor expenses	1,630	
Insurance	492	
Office expenses	1,377	
Sundry expenses	284	
Rent	2,970	
Telephone charges	405	
Salaries and wages	<u>12,810</u>	
	<u>163,112</u>	<u>163,112</u>

Additional information

Stock as at 31st December 2015 was valued at 27,475,000.

Required:

- i. Trading, profit and loss account as at 31st December 2015 (**12 marks**).
 - ii. Balance sheet as at that date (**8marks**).
- (Total: 30 marks)**

SECTION B (CHOOSE ANY TWO QUESTIONS)

QUESTION TWO

2.(a) Mr. Tamaa started a business on 1st January 2007. During the first month of trading the following transactions took place.

Wrote a personal cheque and deposited into the business bank account

Sh800,000 Withdrew Sh200, 000 from the bank and put it into the cash till

2nd Jan, Purchased goods by cheque Sh70,000

3rd Jan, Bought furniture for cash Sh25,000

3rd Jan, Bought equipment on credit Sh75,000

4th Jan, Sold goods for cash Sh100,000

5th Jan, Bought goods and paid by cheque Sh.200,000

6th Jan, Bought a motor van paying by cheque Sh.210,000

10th Jan, Obtain loan from the bank Sh.500,000

12th Jan, Sold goods on credit Sh75,000

16th Jan, Sold goods payment made by cheque Sh.100,000

16th Jan, Received a cheque from a debtor Sh.60,000

30th Jan, Took Sh10,000 from the cash till personal use.

Required:

Using the given details write up a two column cash book for Mr. Tamaa for the month of January 2007 (**12 marks**)

2 (b) Using suitable examples, explain the following concepts:

- i) Conservatism (2 marks)
- ii) Substance over form (2 marks)
- iii) Going concern (2 marks)
- iv) Accrual (2 marks)

(Total: 20 marks)

QUESTION THREE

3 (a) State and briefly explain the four principal characteristics of good financial information. (12 mark)

3 (b) Returns from customer fro Mr. Omera's business are as follows:

01/03/16 Credit Note No. 001 sales returns by Kopiyo sh. 50,000

05/03/16 Credit Note No. 002 sales returns by Mwera sh. 30,000

16/03/16 Credit Note No. 003 sales returns by Hosea sh. 45,000

21/03/16 Credit Note No. 004 sales returns by Kirui sh. 75,000

The credit sales for the period amounted to sh. 650,000 of which cash paid was sh. 300,000. Outstanding debtors at beginning of the period were sh. 100,000.

Required:

Draw the sales returns journal and the entries in the general journal. (Assume the ledger folio numbers). (8 marks)

(Total: 20 marks)

QUESTION FOUR

Mr. Muthamia started a business on 1st March 2016. The transactions for the month of March are given below:

2016

- March
- 1 Started business with sh. 50,500 of which sh. 20,500 is deposited into bank
 - 2 bought furniture for cash sh. 5,500 and a computer for sh. 8,500
 - 4 purchased goods for cash sh. 14,500
 - 6 sold goods for cash sh. 8,500
 - 8 purchased goods from Bamburi Co. Ltd, sh. 11,500 on credit
 - 9 paid office rent for the year by cheque sh. 500
 - 10 bought one fax machine for sh. 2,500 from Fax Machine Company on credit
 - 11 sold goods to Kionga fro sh. 12,500
 - 12 sold goods to Kamau for sh. 2,500 in cash
 - 13 amount withdrawn for personal use sh. 2,500
 - 15 withdrew from bank for office use sh. 3,500
 - 18 Received from Kionga cash sh. 11,900 and allowed him discount of sh. 600

20 deposited into the bank sh. 5,900

25 goods worth sh. 1,500 returned to Bamburi Co. Ltd and the balance settled by issuing a cheque

28 bought goods worth sh. 3,000 from Kionga and supplied them to Babu for sh.

3,500

29 paid cash for office expenses Sh. 500 and postage stamp Sh. 655

30 Babu returned goods worth sh. 350, which is in turn is returned to Kionga.

Required:

Draw the journal entries for the transactions, post them into the respective ledger accounts and prepare a trial balance as at 31st March 2016. **(Total: 20 marks)**