

23



KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

SPECIAL/SUPPLEMENTARY EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF EDUCATION ARTS

COURSE CODE: BBM 100

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 29TH SEPTEMBER,2021

TIME: 11.00AM – 1.00PM

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 5 Printed Pages. Please Turn Over.



SECTION A

QUESTION ONE (COMPULSORY)

- a) Using appropriate examples define precisely the following accounting concepts and for each explain their implication in the preparation of financial statements.
- i. Historical Cost concept.
 - ii. Consistency concept.
 - iii. Materiality concept.
 - iv. The going concern concept.
 - v. Substance over form concept. (10 marks)
- b) State and explain in detail any Five users of Financial Accounting information(15marks)
- c) Differentiate between the following terms as used in accounting
- i) Fixed assets and Current liabilities (2.5marks)
 - ii) Return inwards and return outwards (2.5 marks)

SECTION B

QUESTION TWO

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		

2001	BANK STATEMENT	DR	CR	BALANCE
Jan 1	Balance b/d			6,000
Jan 2	Cheque no 9976	400		5,600
Jan 3	Cash		500	6,100
Jan 4	Charges	20		6,080
Jan 5	Cheque deposit		85	6,165
Jan 6	Cheque no 9977	150		6,015
Jan 7	Cheque deposit		220	6,235
Jan 8	Cash deposit (by Obae)		600	6,835
Jan 9	Cheque dishonoured	85		6,750
Jan 10	Standing order (insurance premium)	560		6,190
Jan 11	Cheque no. 9978	105		6,085

Required:

Prepare an updated Cash book and a bank reconciliation statement

(20marks)

QUESTION THREE

- a) State and explain using appropriate examples any six errors that cannot be disclosed by a Trial balance (12 marks)
- b) Your book keeper extracted a trial balance on 31 December 2010 which failed to agree by Sh.210, a shortage on the credit side of the trial balance. A suspense account was opened for the difference.

In January 2011 the following errors made in 2010 were found:

- i. Sales day book had been undercast by Sh.200
- ii. Sale of Sh.610 to T.Vantaira had been debited in error to T.Ventura's account
- iii. Rent account had been undercast by sh.90
- iv. Discount allowed account had been overcast by sh.100
- v. The sale of a computer at net book value had been credited in error to the sales account Sh.230

Required:

- i. Show the journal entries necessary to correct the errors (5 marks)
- ii. Draw up the suspense account after the errors described have been corrected (3 marks)

QUESTION FOUR

The following trial balance has been extracted from the ledger of Herbert Howell, a sole trader, as at 31 May 2009, the end of his most recent financial year .

Herbert Howell

Trial Balance As at 31 May 2009

	Dr	Cr
	Ksh.	Ksh.
Property at cost	90,000	
Equipment at cost	57,500	
Provision for depreciation for property		12,500
Provision for depreciation for equipment		32,500
Stock as at 1 June 2008	27,400	
Purchases	259,600	
Sales		405,000
Discounts allowed	3,370	
Discounts received		4,420
Wages and salaries	52,360	
Bad debts	1,720	
Loan interest	1,560	
Carriage outwards	5,310	
Other operating expenses	38,800	
Trade debtors	46,200	
Trade creditors		33,600
Provision for bad debts		280
Cash on hand	151	
Bank overdraft		14,500
Drawings	28,930	
13% loan		12,000
Capital, as at 1 June 2008		98,101
	612,901	612,901

The following additional information as at 31 May 2009 is available:

- a) Stock as at the close of business was valued at SH. 25,900
- b) Depreciation for the year ended 31 May 2009 has yet to be provided as follows:
 - Property - 1% using the straight-line method
 - Equipment – 15% using the straight –line method
- c) Wages and salaries are accrued by sh 140
- d) Other operating expenses include certain expenses prepaid by sh. 500. Other expenses included under this heading are accrued by sh. 200
- e) The provision for bad debts is to be adjusted so that it is 0.5% of trade debtors as at 31 May 2009.

Required:

Prepare Mr. Howell's income statement for the year ended 31 May 2009 and his statement of financial position as at 31 May 2009. **(20marks)**

QUESTION FIVE

The following figures were extracted from the records of D & W Ltd. For the 6 months ended 30 June 1990.

Opening balances on 1 January 1990	Shs.
Sales ledger	142,800 (Dr)
Purchases ledger	1,050 (Dr)
Sales ledger	4,050 (Cr)
Purchases ledger	55,380 (Cr)
Sales ledger debit balances offset against purchases ledger	3,690

Discount allowed		20,970
Discount received		14,250
Purchases (including cash purchases of Shs. 2,000)		120,200
Cash sales		61,800
Credit sales		206,820
Credit note issued to customers for goods returned		7,500
Cash purchases		13,200
Payment to creditors		115,920
Interest charged by creditors on overdue accounts		6,900
Receipts from customers		157,800
Bad debts written off		3,720
Customers unpaid cheques		2,610
Interest charged to customers		9,600
Debt collection expenses charged to debtors		1,080
Credit notes received for goods returned to suppliers		2,670
Balances on 30 th June 1990	Purchases ledger	1,440 (Dr)
	Sales Ledger	5,070 (Cr)

Required:

Prepare the purchases and Sales ledger control accounts for the six months ended 30th June 1990. **(20 marks)**