



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR
MAIN EXAMINATION

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DIB 100

**COURSE TITLE: INTRODUCTION TO FINANCIAL
ACCOUNTING**

DATE : 16TH MAY,2022

TIME: 9.00AM – 11.00AM

INSTRUCTIONS TO CANDIDATES

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question **one** carries **30**marks and each of the other two questions carry **20** marks each.

TIME: 2 Hours

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KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 5 Printed Pages. Please Turn Over.

SECTION A: QUESTION ONE (COMPULSORY)

QUESTION ONE

- a) What are the Five main objectives of accounting (5marks)
- b) Describe the Five errors not disclosed by a trial balance (5marks)
- c) Analyse the Four Fundamental accounting principles (4marks)
- d) Identify and write briefly on the Four internal users of accounting information (4marks)
- e) Elaborate on the Five uses of a general journal (10marks)
- f) Give Two reasons why an organization requires a petty cash book (2marks)
- (Total 30marks)**

Section B: Choose Any Two QUESTIONS

QUESTION TWO

The following trial balance was extracted from the books of Mr Money Maker, at 31st December :2017

	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 st Dec 2016	9,274	
Insurance	172	
General Expenses	933	
Bank balances	1,582	
Motor van at cost/Provision for depreciation	8,000	3,600
Proceeds on sale of van		250
Motor expenses	861	
Freehold premises at cost	15,000	
Rent received		750
Provision for depreciation on buildings		5,000
	<u>117,401</u>	<u>117,401</u>

The following matters are to be taken in to account:

1. Stock in trade at 31st December 2017 was Shs.9,884
2. Rates paid in advance at 31st December 2017, Shs.40

3. Rent receivable due at 31st December 2017, Shs.250
4. Lighting and heating due at 31st December 2017, 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 1st January 2017 a van which had been purchased for Shs.1,000 on 1st January 2014 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 31st December 2017 and a Balance Sheet as at date using vertical format

(Total 20mrks)

QUESTION THREE

Record the following details in ledger accounts for the month of November 2013 and extract a trial balance as at 30th November **2013**

Nov 1 Started with kshs 5000,000.00 in bank

Nov 3 Bought goods on credit from : T Henriques Kshs 160,000.00, J Smith kshs 230,000.00, W Rogers Kshs 400,000.00, P Boone kshs 310,000.00

Nov. 5 Cash sales Kshs 240,000.00

Nov 6 Paid Rent by cheque Kshs 20,000.00

Nov 7 Paid rates by cheque kshs 190,000.00

Nov 11 Sold goods on credit to : L Mathews kshs 48,000.00, K Allen kshs 32,000.00,

R Hall kshs 1.170,000.00

Nov 17 Paid wages by cash kshs 40,000.00

Nov 18 We returned goods on credit to : T Henriques kshs 14,000.00, P Boone kshs 20,000.00

Nov 19 Bought goods on credit from ; P Boone kshs 80,000.00, W Rogers Kshs 270,000.00, D Diaz kshs 130,000.00

Nov 20 Goods were Returned to us by K Allen Kshs 2,000.00, L Mathews kshs 4,000.00

Nov 21 Bought Motor van , on credit from U Z motors kshs 500,000.00

Nov 23 We paid the following by cheques : T Henriques kshs 146,000.00, j Smith kshs 230,000.00, W Rogers kshs 300,000.00

Nov 25 Bought another motor van, payinf immediately kshs 700,000.00

Nov 26 Received a Loan of kshs 400,000.00 from A Williams

Nov 28 Received cheques from : L Mathes kshs 44,000, K Allen kshs 30,000.00

Nov 30 Proprietor brings a further kshs 300,000.00 into the business, by a payment into the business bank account. **(20 marks)**

QUESTION FOUR

(a) Give the Five features of a sales invoice **(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)**

(Total 20mrks)

QUESTION FIVE

a) Explain the term “bank reconciliation” and state the reason for its preparation **(6mrks)**

b) Mr Knowledge a sole trader received his bank statement for the month of june 2020. At that date the bank balance was shs 706,500 whereas his cash book balance was shs 2,566,500

His accountant investigated the matter and discovered the following discrepancies.

1. Bank charges of shs 3,000 had not been entered in the cashbook
2. Cheques drawn by Knowledge totaling to shs22,500 had not been presented to the bank
3. He had not entered a receipt of shs 26,500 in his cashbook
4. The bank had not credited Mr Knowledge with receipts of shs 98,500 paid into the bank on 30 June 2020
5. Standing order payments amounting to shs 62,000 had not been entered into the cashbook
6. In the cashbook Knowledge had entered a payment of shs 74,900 as 79,400
7. A cheque for 15,000 from a debtor had been returned by the bank marked "refer to drawer" but had not been written back into the cashbook
8. Ssemakula had brought forward the opening cash balance of shs 329,250 as a debit balance instead of a credit balance.
9. An old cheque payment amounting to shs 44,000 had been written back in the cashbook but the bank had already honoured it.
10. Some of Knoolege's customer had agreed to settle their debt by paying directly into his bank account . Unfortunately, the bank had credited some deposits amounting to shs 832,500 to another customer's account. However, acting on information, Knowledge had actually entered the expected receipts from the debtors in his cashbook.

Required

- i. A statement showing Knowledge's adjusted cashbook balance as at 30 June 2020 (7mrks)
 - ii. A bank reconciliation statement as at 30 June 2020 (7mrks)
- (Total 20mrks)**