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KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF EDUCATION ARTS

COURSE CODE: BBM 100

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 13TH MAY, 2022

TIME: 9.00AM – 11.00AM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

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

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over. 

QUESTION ONE (COMPULSORY)

- a) Analyse any Three (3) accounting principles (6 marks)
- b) Analyse Four (4) users of Financial Accounting information (8 marks)
- c) Mwangi has the following assets and liabilities as on 30 November 2002:

Creditors Sh.39,500; Equipment Sh.115,000; Motor vehicle Sh.62,900; Stock Sh.61,500; Debtors Sh.57,700; Cash at bank Sh.72,800 and Cash in hand Sh.400.

During the first week of December 2002, Mwangi:

- Bought extra equipment on credit for Sh.13,800.
- Bought extra stock by cheque Sh.5,700.
- Paid creditors by cheque Sh.7,900.
- Received from debtors Sh.8,400 by cheque and Sh.600 by cash.
- Put in an extra Sh.2,500 cash as capital.

Required:

i. Compute the balance on the capital account as at 30 November 2002 (4marks)

ii. Record the above transactions in respective accounts. (12marks)

(Total 30mrks)

QUESTION TWO

- 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		

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:

- a) Prepare an updated Cash book and a bank reconciliation statement (10marks)
- b) Explain in detail Five (5) causes of the differences between the cash book balance and the bank statement balance (10marks)

QUESTION THREE

- a) Using appropriate examples, analyse any Five errors that cannot be disclosed by a Trial balance (10 marks)
- b) Joe Mapera extracted a trial balance which failed to agree by sh.15, 600 a shortage on the credit side of the trial balance. A thorough examination of the business books disclosed the following errors.
- Sales figure was overcast by sh.32, 000.
 - Cash was overcast by sh.20, 000.
 - A debtor's account with a balance of sh.21, 000 had been omitted.
 - A balance of sh.15, 200 in the purchases returns account had been omitted.
 - The bank loan account had been under cast by sh.33, 400.

Required:

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

QUESTION FOUR

Nyaga trading as a merchant extracted a trial balance as at 31/12 2021 which revealed the following:

Capital as at 1/1/2021	67042
Debtors	19200
Rent and Rates	1676
Fittings and Equipment at cost	35200
Provision for depreciation (Fittings & Equipment)	5292
Purchases	117354
Drawings	5188
Trade creditors	14864
Provision for doubtful debts	754
Stock	13868
Motoring expenses	832
Sales	136426

Advertising	2750
Delivery van at cost	6000
Provision for depreciation (Delivery Van)	1500
Salesmen salaries	10524
Lighting and heating	1982
Bad debts	152
Audits & professional charges	86
Cash at Bank and hand	10296
Postage and offices expenses	958

The following adjustments had to be made

1. The closing inventory as at 31st Dec 2021 at cost was estimated at 7832
2. Depreciation is to be provided at 10% on cost of fittings & equipment and 25% on cost of delivery vans.
3. Prepayments as at 31/12/2021 were
 - Rates 120
 - Motoring expenses (insurance for van) 116
4. Accruals as at 31/12/2021 were
 - Rent 200
 - Electricity 54
 - Repairs to delivery vans 78
 - Audit fee 210
 - Telephone 56
5. The provision for doubtful debts is to be made equal to 5% of trade debtors

Required:

Prepare:

- a) Trading, Profit and Loss A/C for the year ended 31/12/2021 (10Mrks)
- b) A balance sheet as at that date. (10mrks)

(Total 20 marks)

QUESTION FIVE

- a) Analyse the three (3) purposes of control accounts

(6 marks)

- b) The balances and transactions affecting the control accounts of Kopesha Ltd. For the month of November 1997 are listed below:-

Balances on 1 November 1997:	Sh.
Sales Ledger	9,123,000 (Dr)
	211,000 (Cr)
Purchases Ledger	4,490,000 (Cr)
	88,000 (Dr)
Transactions during November 1997:	
	Sh.
Purchases on credit	18,135,000
Allowances from suppliers	629,000
Receipts from customers by cheques	27,370,000
Sale on credit	36,755,000
Discount received	1,105,000
Payments to creditors by cheques	15,413,000
Contra settlements	3,046,000
Bills of exchange receivable	6,506,000
Allowances to customers	1,720,000
Customers cheques dishonoured	489,000
Cash received from credit customers	4,201,000
Refunds to customers for overpayments	53,000
Discounts allowed	732,000
Balances on 30 November 1997:	
Sales ledger	136,000 (Cr)
Purchases ledger	67,000 (Dr)

Required:

- i. Prepare a Sales Ledger Control Account (8 marks)
- ii. Prepare a Purchases Ledger Control Account (6 marks)