



*(Knowledge for Development)*

**KIBABII UNIVERSITY  
UNIVERSITY EXAMINATIONS**

**2021/2022 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER**

**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCA 111**

**COURSE TITLE: FINANCIAL ACCOUNTING**

**DATE:** 27<sup>TH</sup> JANUARY 2022      **TIME:** 2.00 - 4.00P

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**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 6 Printed Pages. Please Turn Over.

## SECTION A

### QUESTION ONE (COMPULSORY)

- a) Using appropriate examples, explain precisely the following accounting concepts:
- i. Going concern concept.
  - ii. Business entity concept.
  - iii. Money measurement concept
  - iv. Substance over form concept. (8 marks)
- b) Using hypothetical illustration briefly explain the Five important steps of accounting cycle (10 marks)
- c) Explain in detail four purposes of preparing control accounts (2 marks)
- d) Explain in detail Five users of accounting information and their interest (10 marks)

**(Total 30 Mrks)**

### QUESTION TWO

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

A. Smith  
Trial Balance as at 31 May 2009

Details	Dr	Cr
	Sh	Sh
Property at cost	90,000	
Equipment at cost	57,500	
Provision for depreciation (as at 1 June 2008)		
Property		12,500
Equipment		32,500
Stock as at 1 June 2008	27,400	
Purchases	259,600	
Sales		405,000
Discount	3,370	
Discount		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
	<b><u>612,901</u></b>	<b><u>612,901</u></b>

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

- i. Stock as at the close of business was valued at sh. 25,900
- ii. 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
- iii. Wages and salaries are accrued by sh. 140
- iv. Other operating expenses include certain expenses prepaid by sh.500. Other expenses included under this heading are accrued by sh. 200
- v. The provision for bad debts is to be adjusted so that it is 0.5% of trade debtors as at 31 May 2009.

**Required:**

- i. Trading profit and loss account for Mr. A. Smith as at 31 May 2009 (10 marks)
- ii. Balance sheet as at 31 May 2009 (10 marks)

**QUESTION THREE**

- a) State and explain using appropriate examples any Five errors that cannot be disclosed by a Trial balance (10 marks)



a) 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.

- i. Sales figure was overcast by sh.32, 000.
- ii. Cash was overcast by sh.20, 000.
- iii. A debtor's account with a balance of sh.21, 000 had been omitted.
- iv. A balance of sh.15, 200 in the purchases returns account had been omitted.
- v. The bank loan account had been under cast by sh.33, 400.

**Required:**

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

**QUESTION FOUR**

a) Ssemakula, a sole trader received his bank statement for the month of June 2001, at that date the bank balance was Sh.706,500 whereas his cash book balance was Sh. 2,366,500. His accountant investigated the matter and discovered the following discrepancies.

1. Bank charges of Sh. 3,000 had not been entered in the cashbook
2. Cheques drawn Ssemakula totaling sh. 22,500 had not yet been presented to the bank
3. He had not entered receipts of Sh. 26,500 in his cashbook
4. The bank had not credited Mr. Ssemakula with receipts of sh.98,500 paid into the bank on 30 June 2001
5. Standing order payments amounting to sh. 62,000 had not been entered into the cashbook
6. In the cashbook Ssemakula had entered a payment of sh.74,900 as sh.79,400
7. A cheque for Sh.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 sh.329,250 as a debit balance instead of a credit balance

9. An old cheque payment amounting to sh.44,000 had written back in the cashbook but the bank had already honoured it.

10. Some of Ssemakula's customers had agreed to settle their debts by paying directly into his bank account. Unfortunately, the bank had credited some deposits amounting to sh.832,500 to another customer's account. However, acting on information from his customers Ssemakula had actually entered the expected receipts from the debtors in his cashbook.

**Required:**

i.) Ssemakula adjusted cashbook balance as at 30 June 2001 (8marks)

ii.) Bank reconciliation statement as at 30 June 2001 (9marks)

b) State and explain any Three causes of differences between cash book balance and the bank statement balance (3 marks)

**QUESTION FIVE**

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

	Shs.
Opening balances on 1 January 1990	
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 <sup>th</sup> 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 30<sup>th</sup> June 1990.  
(20 marks)