



(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 : 27TH JANUARY,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



KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.

SECTION A: ONE COMPULSORY QUESTION

QUESTION ONE

a) Define the term Accounting giving its Main components (5marks)

b) Mr Chai has been trading for some years as a wine merchant. The following list of balances has been extracted from his ledger as at 30 April 19X7, the end of his most recent financial year.

	£
Capital	83,887
Sales	259,870
Trade creditors	19,840
Returns out	13,407
Provision for bad debts	512
Discounts allowed	2,306
Discounts received	1,750
Purchases	135,680
Returns inwards	5,624
Carriage outwards	4,562
Drawings	18,440
Carriage inwards	11,830
Rent, rates and insurance	25,973
Heating and lighting	11,010
Postage, stationery and telephone	2,410
Advertising	5,980
Salaries and wages	38,521
Bad debts	2,008
Cash in hand	534
Cash at bank	4,440
Stock as at 1 May 19x6	15,654
Trade debtors	24,500
Fixtures and fittings – at cost	120,740
Provision for depreciation on fixtures and fittings – as at 30 April 19X7	63,020
Depreciation	12,074

The following additional information as at 30 April 19X7 is available:

- (a) Stock at the close of business was valued at £17,750.
- (b) Insurances have been prepaid by £1,120.
- (c) Heating and lighting is accrued by £1,360.
- (d) Rates have been prepaid by £5,435.
- (e) The provision for bad debts is to be adjusted so that it is 3% of trade debtors.

Required:

Prepare income statement and the statement of financial position as at 30th April 19x7 (25 marks)

SECTION B

QUESTION TWO

Write up the asset, capital and liabilities accounts in the books of Khetias Enterprise to record the following transactions.

2015

- June 1 Started business with Kshs 500,000.00 in the bank
- June 2 Bought motor van paying by cheque Ksh 120,000.00
- June 5 Bought office fixtures Ksh 40,000.00 on credit from young Limited
- June 8 Bought motor van from supper motors Kshs 80,000.00
- June 12 Took kshs 10,000.00 out of bank and put it into the cash till
- June 15 Bought office fixtures paying by cash Ksh 6,000.00
- June 19 Paid supper Motors a cheque for Kshs 80,000.00
- June 21 A Loan of Kshs 100,000.00 cash is received from J Jarvins
- June 25 Paid Kshs 80,000.00 of the cash in hand into the Bank account
- June 30 Bought more office fixtures paying by cheque Kshs 30,000.00 **(20marks)**

QUESTION THREE

- (a) You are to show the journal entries necessary to record the following items
- a) 20X5 May 1 Bought a motor vehicle on credit from Kingston Garage, for kshs 6,790.00
 - b) 20X5 May 3 A debt of ksh 34.00 owing from H Newman was Written off as bad debt
 - c) 20X5 May 8 Office furniture bought by us for kshs 490.00 was returned to the supplier Unique Offices, as it was unsuitable. Full allowance will be given us.
 - d) 20X5 May 12 We are owed kshs 150.00 by W Charles. He is declared bankrupt and we received kshs 39.00 in full settlement of the debt.
 - e) 20X5 May 14 We take kshs 45.00 goods out of the business stock without paying for them.

f)20X5 May 28 Some time ago we paid an insurance bill thinking that it was all in respect of the business. We now discover that kshs 76.00 of the amount was infact insurance of our private house.

g)20X5 May 28 Bought machinery kshs 980.00 on credit from systems Accelereted

(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)

QUESTION FOUR

(a) Explain the term "bank reconciliation" and state the reasons for its preparation.

(b) 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 by 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 been written back in the cashbook but the bank had already honored 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 is cashbook.

Required:

- i. A statement showing Ssemakula's adjusted cashbook balance as at 30 June 2001. (9 marks)
 - ii. A bank reconciliation statement as at 30 June 2001. (5marks)
- (Total: 20 marks)**

QUESTION FIVE

- a) What are the uses of general journal **(8marks)**
- b) What are the errors not disclosed by the Trial balance **(12marks)**