



*(Knowledge for Development)*

**KIBABII UNIVERSITY  
UNIVERSITY EXAMINATIONS**

**2021/2022 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER**

**MAIN EXAM**

**CERTIFICATE IN BUSINESS MANAGEMENT**

**COURSE CODE: CIB 101**

**COURSE TITLE: FUNDAMENTALS OF ACCOUNTING**

**DATE:** 26<sup>TH</sup> JANUARY 2022      **TIME:** 2.00PM - 4.00PM

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**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 3 Printed Pages. Please Turn Over.

## SECTION A

### QUESTION ONE: 30 MARKS

- a) Draw a chart showing the Accounting information (6 marks)
- b) Explain five groups that are interested in accounting information (5 marks)
- c) State and briefly explain two purposes of a bank reconciliation statement.(4 marks)
- d) State and briefly explain distinguishing features between the following accounting items:
  - i. Cash basis of accounting and accrual basis of accounting. (3 Marks)
  - ii. Materiality and substance over form (3 Marks)
  - iii. An income and expenditure account and profit and loss account (3 Marks)
  - iv. A Statement of Affairs and balance sheet (3 Marks)
  - v. Materiality and substance over form (3 Marks)

## SECTION B

### QUESTION TWO (20 MARKS)

- a) Outline and explain any five (5) users of accounting information. (5 marks)
- b) What are purposes of control accounts (5 marks)

c) David a sole trader has prepared the following balance as at 31 March 2010. Sh.

Sales	378,500.00
Discount Received	2,400.00
Rent Received	7,500.00
Returns outwards	7,700.00
Creditors	18,700.00
Bank Overdraft	30,000.00
Capital	287,500.00
Purchases	261,700.00
Salaries and Wages	45,700.00
Office expenses	8,400.00
Insurance premiums	3,100.00
Electricity	1,600.00
Stationery	6,200.00
Advertising	8,400.00
Telephone	2,100.00

Business Rates	7,500.00
Discounts allowed	600.00
Returns Inwards	4,100.00
Stocks as at 1 April 2000	120,600.00
Warehouse, shop and office	210,000.00
Fixtures and fittings	12,800.00
Debtors	13,000.00
Cash in till	500.00
Drawings	26,000.00

The following further information was obtained:

Closing stock was Sh.102,500.00

Electricity charges accrued Sh.700.00

Advertising expenses accrued Sh.500.00

Insurance premiums paid in advance Sh.900.00

Business rates prepaid Sh.1,500.00

**Required:**

Prepare statement of comprehensive income for the year ended 31 March 2001 and statement of financial position as at that date. (10 marks).

**QUESTION THREE (20 MARKS)**

a) Write short notes on the following books of prime entry.

- i. Sales journal (2 marks)

- ii. Purchase journal (2 marks)
- iii. Return inward journal. (2 marks)
- iv. Return out ward journal (2 marks)
- v. General journal. (2 marks)

b) Explain five canons of accounting (10 marks)

### QUESTION FOUR

Brian is a sole trader. At 30 June 2000 the following balances have been extracted from his books:

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Sales	47,600.00
Purchases	22,850.00
Office expenses	1,900.00
Insurance	700.00
Wages	7,900.00
Rates	2,800.00
Heating and Lighting	1,200.00
Telephone	650.00
Discounts allowed	1,150.00
Opening stock	500.00
Returns inwards	200.00
Returns outwards	150.00
Premises	40,000.00
Plant and Machinery	5,000.00
Motor Vehicles	12,000.00
Debtors	12,500.00
Bank balance	7,800.00
Creditors	3,400.00
Loan-long term loan	10,000.00
Capital	60,000.00
Drawings for the year	4,000.00
Closing stock	550.00

#### Required:

Construct a trial balance, from the above list of balances. (20 marks)

**QUESTION FIVE: 20 MARKS**

Accounting principles are judged on their general acceptability to the makers and users of financial statements and reports. They present a generally accepted and uniform view of the accounting profession in relation to good accounting practice and procedures. Describe the Generally accepted Accounting principles citing examples.