



(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 : 20TH DECEMBER, 2022 TIME: 9.00AM – 11.00AM

INSTRUCTIONS TO CANDIDATES

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

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: ONE COMPULSORY QUESTION

Q1 a) Critically differentiate between TB and Trading Account

(4Marks)

b) Evaluate critically the noticeable difference between credit note and debit note (4Marks)

c) "General Journal are a MUST in any organization" Justify this statement with the help Of Six points

(6Marks)

d) Define the following accounting concepts and for each explain their implication in the preparation of financial statements.

(i) The Going concern concept

(3 marks)

(ii) Business entity concept

(3 marks)

(iii) Materiality

(3 marks)

(iv) Realization

(3 marks)

f) Chronologically analyse the steps which must be undertaken prior to the extraction of a bank reconciliation statement (4marks)

Section B: Choose Any Two QUESTIONS

QUESTION TWO

(a) Explain the term "bank reconciliation" and state the reasons for its preparation. (6MARKS)

(b) Mr know it all, 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 Mr know it all 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 know it all 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 mr know it all 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. Mr know it all 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 Mr know it alls 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 Mr know it all had actually entered the expected receipts from the debtors in is cashbook.

Required:

- i. A statement showing Mr know it all'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 THREE

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 (20 marks)

QUESTION FOUR

a) Elaborate on the Five uses of general journal (4marks)

b) Identify by way of analyzing THREE errors not disclosed by the Trial balance (6marks)

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

2020

- 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

(10marks)

QUESTION FIVE

Record the following details 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)**