



**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2022/2023 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER**

**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF EDUCATION ARTS/BACHELOR OF  
COMMERCE**

**COURSE CODE: BCA111/BBA 111**

**COURSE TITLE: FINANCIAL ACCOUNTING**

**DATE: 20<sup>TH</sup> DECEMBER, 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**

**SECTION A (COMPULSORY)**

**QUESTION ONE**

- a) Using appropriate examples define precisely the following accounting concepts and for each explain their implication in the preparation of financial statements.
- i. Periodicity concept. (2marks)
  - ii. Duality concept. (2marks)
  - iii. Accrual concept. (2marks)
  - iv. Business Entity concept. (2marks)
  - v. Going concern concept. (2marks)
- b) Explain in detail Five users of Financial Accounting information (10marks)
- c) Explain any four business source documents (4marks)
- d) Describe three factors that affect the changes in capital (6 marks)

**SECTION B (ANSWER ANY TWO QUESTIONS)**

**QUESTION TWO**

- a) Explain four reasons for maintaining control accounts (4marks)
- b) The following information has been extracted from the books of Mutero Traders Limited for the Month of April 2002

Balances as at 1 April 2015:

	Sh.
Sales ledger- Debit balances	838,000

- Credit balances	184,000
Purchases ledger – Debit balances	196,000
- Credit balances	598,000
<b>Transactions during the month:</b>	
Sales on credit	8,784,000
Purchases on credit	7,849,000
Return inwards	248,000
Returns outwards	179,000
Cheques received from trade debtors	2,968,000
Cash paid to trade creditors	4,674,000
Cheques paid to trade creditors	1,393,000
Bad debts written-off	139,000
Discounts allowed to trade debtors	162,000
Discounts received from trade creditors	231,000
Credit sales off-set against credit purchases	356,000
Credit purchase of a motor vehicle posted in the purchases ledger	598,000
Dishonoured cheques from trade debtors	193,000
Cash received to replace dishonoured cheque from trade debtor	106,000
An invoice to trade debtors of sh. 174,000 posted as	147,000

Balances as at 30 April 2015:

Sales ledger credit balances	123,000
Purchases ledger debit balances	177,000

**Required:**

The sales ledger and Purchases ledger control accounts for the month ended 30 April 2002

(16marks)

**QUESTION THREE**

- 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
		<b>7,320</b>		<b>7,320</b>
	<b>b/d</b>	<b>5,180</b>		

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:**

Prepare an updated Cash book and a bank reconciliation statement (10marks)

- b) Explain in detail five causes of the differences between the cash book balance and the bank statement balance (10marks)

**QUESTION FOUR**

- a) Explain using appropriate examples Five errors that cannot be disclosed by a Trial balance (10 marks)

- b) Differentiate between the following terms as used in accounting

- i) Outstanding expenses and prepaid expenses (2marks)
- ii) Fixed assets and Current liabilities (2marks)
- iii) Return inwards and return outwards (2marks)
- iv) Credit note and Debit note (2marks)
- v) Source documents and books of original entry (2marks)

**QUESTION FIVE**

The following transactions of Mr. Ali took place during the month of May, 2003.

May 1 Started firm with capital in cash of Sh.250.

"May 2 Bought goods on credit from the following persons: R Kelly Sh.54; Pcombs Sh.87; J Role Sh.25; D Mobile Sh.76; I. Sims Sh.64.

"May 4 Sold goods on credit to: C Blanes Sh.43; B Long Sh.62; F Skin Sh.176.

"May 6 Paid rent by cash Sh.12.

"May 9 C Blanes paid us his account by cheque Sh.43.

" May 10 F Skin paid us Sh.150 by cheque.

" May 12 We paid the following by cheque: J Role Sh.25; R Kelley Sh.54.

" May 15 Paid carriage by cash Sh.23.

" May 18 Bought goods on credit from P Combs Sh.43; Mobile Sh.110.

" May 21 Sold goods on credit to B Long Sh.67.

" May 31 Paid rent by cheque Sh.18.

**Required:**

Enter the above transactions in the relevant books of accounts. (16marks)

Extract a trial balance (4marks)