



KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR

MAIN EXAMINATION

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DAB 101

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 13TH DECEMBER, 2022

TIME: 9.00AM – 11.00AM

INSTRUCTIONS TO CANDIDATES

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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

Q1. a) D Moody has the following assets and liabilities as on 31 April 2002:

	shs.
Creditors	15,800
Equipment	46,000
Motor Vehicle	25,160
Stock	24,600
Debtors	23,080
Cash at bank	29,120
Cash in hand	160

During the first week of May 2002 Moody:

- Bought extra equipment on credit for shs. 5,520.
- Bought extra stock by cheque shs. 2,280.
- Paid creditors by cheque shs. 3,160.
- Debtors paid shs. 3,360 by cheque and shs. 240 by cash.
- Moody put in extra shs. 1,000 cash as capital.

Required:

- Determine the capital as at 1st May 2002. **10 marks**
- Draw up a balance sheet after the above transactions have been completed. **5 marks**

b) Ashraya is an organization that works for the welfare and betterment of street children. It sponsors their food and clothing. It also provides basic education to children. The sources of its income are donations, subscriptions and government grants. Identify the type of organization stating the reasons thereof. Mention also the accounting procedure that it shall follow. **4 marks**

c) Define Financial Accounting and conclude its main purpose. **5 marks**

d) Elaborate at least six limitations of partnership.

6 marks

Section B: Choose Any Two QUESTIONS

Q2. i) From the following accounting information of Boaz Ltd on 31/12/2019;

Balances on 1 st /12/2019:	Amount \$
Total debtor/Receivable a/c (main)	11,221,290 (debit)
(minor)	259,530 (credit)
Total creditor/Payable a/c (main)	5,522,700 (credit)
(minor)	108,240 (debit)
Credit purchases	22,306,050
Receipts from customers-check	33,665,100
Credit sale	45,208,650
Discount received	1,359,150
Payments to creditors-check	18,857,990
Contra settlement	3,746,580
Bills receivable	8,002,380
Customers checks dishonored	601,190
Discounts allowed	900,360
Refunds to customers for overpayments	65,190
Cash received from credit customers	5,167,230
Balances on 31 st /12/2019	
Total debtor/receivable a/c (minor)	167,280(credit)

Total creditor/payable a/c(minor)

82,410(debit)

Prepare:

- a) Debtors'/receivable control accounts as at that date. **7 marks**
- b) Creditors'/payables control accounts as at that date. **8 marks**
- i) Outline five roles played by control accounts in business **5 marks**

Q3. a) L Stokes sets up a new business. Before he actually sells anything he has bought motor vehicles of Shs.3,000, premises of Shs.7,000, stock of goods Shs.2,000. He still owes Shs.800 in respect of them. He had borrowed Shs.4,000 from D Evans. After the events just described and before trading starts, he had Shs.300 cash in hand and Shs.600 cash at bank. Calculate the amount of his capital and remember the Accounting equation is: Assets = Liabilities + Capital.

12 marks

- b) Outline 8 characteristics of Income and Expenditure Account. **8 marks**

Q4. a) Give the meaning of control accounts and distinguish Accounting entries for credit sales and purchases when a company transfers the daily total of the sales book into the general ledger and when they transfer the total of the purchase day book. **8 marks**

b) ABC Inc. is a manufacturing company. Sales in the sales ledger stand at \$30000. Trade receivable for the period stands at \$10000 in different debtors' accounts, and trade payable stands at \$ 20000 in different creditors' accounts. The company has a control account for all these ledgers. Pass entry into the system and transfer the balance to this account.

12 marks

Q5. Fine Cabinets, Inc., produces custom cabinets. The following inventory balances appeared on its balance sheet. (Note that the most current financial information is presented in the first column.)

	December 31, 2012	December 31, 2011

Raw materials inventory	\$ 8,000	\$ 10,000
Work-in-process inventory	600,000	550,000
Finished goods inventory	350,000	410,000

Fine Cabinets had \$1,265,000 in sales for the year ended December 31, 2012. The company also had the following costs for the year:

Selling	\$ 90,000
General and administrative	\$240,000
Raw materials purchases	\$100,000
Direct labor used in production	\$125,000
Manufacturing overhead	\$630,000

Of the total raw materials placed in production for the year, \$12,000 was for indirect materials and must be deducted to find direct materials placed in production.

Required:

1. Prepare the schedules listed in the following for the year ended December 31, 2019.

- i. Schedule of raw materials placed in production **3 marks**
- ii. Schedule of cost of goods manufactured **3 marks**
- iii. Schedule of cost of goods sold **3 marks**

2. Prepare an income statement for the year ended December 31, 2019. **5 marks**

b) Describe three activities sections of the statement of cash flows that designate the different ways cash can enter and leave your business. **6 marks**

Q5. a) Enumerate 5 features of Incomplete Records or Single Entry System **5 marks**

b) From the following details you are required to calculate credit sales and credit purchases by preparing total debtors account, total creditors account, bills receivable account and bills payable account.

Particulars	Opening	Closing
Debtors	60,000	55,000
Bills receivable	5,000	1,000
Creditors	25,000	28,000
Bills payable	2,000	3,000

Other information:

Cash received from debtors	1,30,000
Discount allowed to customers	5,500
Cash paid to creditors	70,000
Discount allowed by suppliers	3,500
Payments against bill payable	7,000
Cash received for bills receivable	14,000
Bills receivable dishonored	1,200
Bad debts	3,500

You are required to calculate credit sales and credit purchases by preparing:

1. total debtors account
2. total creditors account
3. bills receivable account

3 marks

3 marks

3 marks

4. bills payable account.

3 marks

c) what is the meaning of partnership agreement?

2 marks