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**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 mantaining 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)