



(Knowledge for Development)

KIBABII UNIVERSITY

(KIBU)

**UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR**

**END OF SEMESTER EXAMINATIONS
YEAR TWO SEMESTER ONE EXAMINATIONS**

**FOR THE DEGREE OF BACHELORS OF SCIENCE
(INFORMATION TECHNOLOGY)**

COURSE CODE: BIT 218

COURSE TITLE: ACCOUNTING PRINCIPLES FOR IT

DATE: 16/12/2022

TIME: 2.00 P.M – 4.00 P.M.

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION ONE (COMPULSORY) [30 MARKS]

- a. The following balances were extracted from the books of James Inyangala a sole trader in respect of the year ended 30 June 1999.

	kes
Capital account – July 1998	9,327,500
Sales	10,662,000
Sales returns	180,500
Trade debtors (receivables)	2,250,000
Drawings	1,500,000
Purchases	5,236,000
Trade Creditors	750,000
Purchases returns	273,500
Wages and salaries	2,350,000
Discounts allowed	124,000
Discount received	213,000
Provisions for depreciation:	
Fixtures	145,000
Vehicles	400,000
Cash at bank	1,291,500
Cash in bank	60,000
Electricity	236,000
Rates paid	124,000
Freehold premises at cost	2,817,500
Fixtures at cost	760,000
Motor vehicles	800,000
Stationery	78,000
Postage and telephone	100,000
Insurances	30,000
Bad debts provision	100,000
Bad debts written off	36,000
Motor vehicle running expenses	193,000
Stock on 1 July 1998	3,167,000
Loan at 15 per cent interest	500,000
Interest on loan	37,500
Additional information	

1. Rates are to be apportioned such that three-quarter is for business and the rest of for private premises, while kes 32,000 is prepaid for the business.
2. Three quarters of the charge for electricity is for the business and one quarter for private use.
3. Stock on 30 june 2022 amounted to kes 3,105,000
4. Depreciation on fixtures is at 5 per cent on cost and on motor vehicles at 20 per cent reducing balances. No depreciation is to be provided on freehold premises.
5. Insured unexpired is kes 6,000.
6. Provision for bad debts is to be adjusted to kes 125,000
7. Only half years interest on loan had been paid.
8. An invoices for goods purchased amounting to kes 50,000 has not been recorded on the books though the goods were included in closing stock.
9. Goods amounting to kes 20,000 had been taken for personal use by james , the proprietor.

Required :

- i. Statement of Trading and income and expenditure account for the year ended 30th june 1999. (10 Marks)
 - ii. The statement for the financial position as at 30th june 1999. (10 Marks)
- b. Jacklie wanjala retired from civil service on 30 june 1999 and was given pension in a lump sum of kes 216,500. With this money he started a business in Nairobi on 1 October 1999. His transaction for the month were as follows:

October

1. Started a business with kes 216,500 in cash.
- 2 Opened bank account with a deposit of kes 168,000
- 4 Paid by cheque six months rent in advance kes 72,000.
- 8 Bought furniture by cheque kes 24,000
- 15 Purchased goods for sale kes 19,500 paid for by cheque
- 18 Withdrew kes 3,500 from the bank for office use.

- 21 Sold goods for cash kes 28,800.
- 23 Deposited into the Bank kesh 42,300.
- 25 Purchased goods from j. Mburu at credit kes 21,000.
- 26 Sold goods for kes 36,000 and was paid by cheque
- 27 Paid J.Mburu kes 20,000 in full settlement of amount due to him.
- 27 Sold goods on credit to T. Kongo kes 14,300.
- 28 Paid wages in cash kes 7400.
- 29 Paid transport kes 2,400 in cash. Withdrew from bank for personal use kes 12,000.
- 30 Paid electricity kes 4,800 in cash
- 30 Received in cash kes 13,800 from T.Kongo to full settlement of goods sold to him.
- 30 Paid insurance premium kes 15,000 by cheque.

Required

Record the relevant transactions in the three column cash book bringing down balances as at 31st October 1999. (10 Marks)

QUESTION TWO [20 MARKS]

G.H Wholeaslars operate an imprest system of Petty Cash with a float of kes 50,000. Disbursements are made every two weeks or when the cash balances in hand falls below kes 5,000 whatever comes earlier.

The following were the transactions for the month of October 1997.

	kes
October 1. Balance 1	15,400
2. Travelling expenses	4,050
2. Purchase of Stationery	2,560
3. Office expenses	1,625
3. Salary advances	4,800
4. Medical expenses	545
6. Office expenses	1,548
6. Travelling	2,745
8. Purchases of stationery	5,675
15. Salary advances	23,500

15. Medical expenses	2,350
15. Cleaning materials	375
21. Offices expenses	2,870
21. Electricity charges	5,670
21. Cleaning materials	987
27. Purchases of stationery	1,540
27. Purchases of office furniture	15,365
27. repairs of equipment	5,670
30. Salaries and Wages	8,675
30. Travelling	5,690
30. Office expenses	8,940
31. Purchases of office equipments	15,000
31. Office expenses	3,000

Required

- a) Write up the imprest cash book for the month of October 1997 and bring down the balance. **[10 marks]**
- b) Post the total monthly expenses to the relevant ledger accounts. **[10 marks]**

QUESTION THREE [20 MARKS]

S.kiwanuka opened a textile business on 1 January 1995. His transactions for the month of January were as follows:

January 2 opened bank account and deposited cash of kes 50,000 and retained kes 10,000 in cash.

- 3 Paid kes 3,000 for rent in cash.
- 4 Purchased clothes for kes 60,000 from Mulwa and Co. Credit.
- 5 Sold clothes for kes 60,000 in cash.
- 6 Purchased new office Furniture for kes 50,000 by cheque
- 9 banked cash kes 30,000
- 10 Purchased clothes worth kes 30,000 from Mathew and Mati Drapers and paid half of the amount by cheque.
- 11 Sold clothes worth kes 20,000 from on credit to Bagaya Exporters.
- 12 Hired transport for kes 3,000 and paid in cash

13. Bagaya exporters returned some clothes costing kes 3000 and were given credit note for the same.
16. received cheque for kes 6,000 from Bagaya Exporters on account.
18. Purchased clothes for kes 9,000 on credit from Samuel Omayo.
21. sold clothes worth kes 5,000 on credit to B.C Bourique.
23. paid Mulwa and Co. kes 15,000 by cheque on account.
24. withdrew kes 6,000 from Bank for personal use.
25. Bought clothes for kes 8,300 and paid by cheque.
28. Sold clothes for kes 5,400 on sunshine Boutique and received a cheque for kes 1,400.
30. paid Mathew and Mati Drapers by cheque the full amount due to them les 5% discount.
31. Paid salaries kes 5,000 in cash and a water bill kes 700 by cheque.

Required:

- a) Three column cash book for the month of January 1995. **(8 Marks)**
- b) Make relevant entries in the ledger and balance all accounts. **(8 Marks)**
- c) Extract a trial balance as at 31 January 1995. **(4 Marks)**

QUESTION FOUR [20 MARKS]

- a) Discuss the principle, concepts and conventions underlying Accounting statements. **(10 Marks)**
- b) The following terms are usually encountered in the preparation of accounts
 - Fundamental accounting concepts
 - Accounting bases
 - Accounting policies

You are required to:

- i. Define the above terms **(6 Marks)**
- ii. Indicate three fundamental accounting concepts which are regarded as having a general acceptability and, Write a short note on two of the three **(4 Marks)**

QUESTION FIVE [20 MARKS]

- a) Itemize the reasons why it is necessary to prepare a bank reconciliation statement.
- b) On 30 September 1999 Mary Wachekes bank statement reflected a balance of kes 922,260 while her cash book stood at kes 1,607,000. On comparing the cash book with the bank statement, the following discrepancies were identified.
1. Acheque paid to a creditor for kes 19,740 was entered as kes kes 19,940 in the cash book.
 2. Dividends form investments received through the bank amounted to kes 15,300 but were not entered in the cash book.
 3. Cheques drawn by mary Wacheke totaling kes 14500 had not been presented to the bank.
 4. Bank charges of kes 1,600 were not yet entered in the cash book.
 5. Standing order payment amounting to kes 112,400 had not been entered in the cash book.
 6. A cheque for kes 13,000 received from a debtor had been returned by the bank marked ' refer to drawer' but had not been written back in the cash book.
 7. The bank had not credited mary Wachekes account with receipts of kes 119,700 paid into the bank on 30 September 1999.
 8. Mary wacheke had brought down her opening cash book balance of kes 165,850 as debit balance instead of a credit balance.
 9. A cheque of kes 18,800 had been written back in the cash book but the bank had already honoured it.
 10. Mary Wacheckes customers had agreed to settle their debits by directdebit but the bank had credited some direct debits amounting to kesh 115,540 to another customers account

Required

- a) Statement of Mary Wachekes adjusted cash book balance
[10 marks]
- b) Bank reconciliation statement as at 30th September 1999
[10 marks]