



KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR
MAIN EXAMINATIONS
FOR THE DIPLOMA IN BUSINESS MANAGEMENT
COURSE CODE:DAB 101
COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 19th APRIL, 2023

TIME:2.00PM-4.00PM

INSTRUCTIONS TO CANDIDATES

1. Answer a total of **three** questions; question **one** and any other **two** questions.
2. Question **one** carries **30 marks** and each of the other two questions carry **20** marks each.

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 5 Printed Pages. Please Turn Over.

QUESTION ONE

- a) Discuss the main components of a set of published financial statements (10 marks)
- b) Citing relevant examples, distinguish between tangible assets and intangible assets (4 marks)
- c) Differentiate between the following:
- i. Bonus issue and rights issue (4 marks)
 - ii. Hire purchase and credit sale (4 marks)
- d) Briefly explain the following;
- i. Stock insurance claims (2marks)
 - ii. Consequential insurance claims (2marks)
 - iii. Architect's certificate (2marks)
 - iv. Retention money (2marks)

QUESTION TWO

- a) Explain the advantages of maintaining control accounts (5 marks)
- b) Bukati Ltd is a wholesale business which sales irrigation pipes on credit terms. The following balances were extracted from its ledger as at November 2022

	Ksh.
Sales	7,238,690
Creditors-balance at 1 December 2021	497,810
Debtors- balance at 1 December 2021	846,110
Purchase of pipes	3,429,160
Discounts allowed	82,140
Discount received	69,780
Cash received from debtors	6,992,670
Cash paid to creditors	3,218,530
Returns inwards	369,250
Carriage inwards	52,640
Selling & distribution expenses	127,480
Provision for doubtful debts at 1 December 2021	48,130

Further checks revealed the following information;

1. A cheque for sh. 12,460 from Awino, a customer has been returned by the bank, marked "effects not cleared"
2. Bad debts amounting to sh.68,540 are to be written off and the provision for doubtful debts is to be raised to 10% of the debtor balance as at 30 November 2022
3. At 30 November2022, a cheque is received for sh. 5000 from the liquidator of B. Olaba Ltd. This customer had owed Bukati Ltd sh. 50,000 when it clased totrade in April in 2018 and the debt had been written off as a bad debt in the year ended 30 November 2018. No entry in respect of this cheque of shs. 5000has yet been made in the books.

Required;

- i. Debtors ledger control account (10 marks)

ii. Bad and doubtful debts account

(5 marks)

QUESTION THREE

The Treasurer of Bidii sports and social club has provided the following information relating to the financial year ended 31 December 2014

1. Assets and liabilities as at: 2014	1 January 2014	31 December
	Sh.	Sh.
Equipment	1,250,000	1,400,000
Subscriptions in arrears	100,000	120,000
Subscriptions received in advance	65,000	45,000
Creditors for bar stocks	175,000	215,000
Bar stocks	400,000	300,000
Rent owing	75,000	50,000
Electricity bills unpaid	56,500	70,000
Balance at bank	361,500	865,000
2. Cash receipts for the year ended 31 December 2014:	Sh.	
Subscriptions	1,050,000	
Bar takings	2,050,000	
Sale of tickets for annual dinner dance	1,200,000	
Sale of raffle tickets	90,000	
3. Cash payments made in the year ended 31 December 2014	Sh.	
Miscellaneous expenses	50,000	
Purchase of equipment	400,000	
Bar stocks	1,025,000	
Barman's wages	375,000	
Catering – for dinner dance	720,000	
Hire of band- for dinner dance	180,000	
Purchase of raffle prizes	30,000	
Hiring premises or dinner dance	120,000	
Rent	385,000	
Printing and postage	100,000	
Electricity	290,000	
Secretary's expenses	61,000	
Repairs to equipment	150,000	

Required:

- Bar trading and profit and loss account for the year ended 31 December 2014 (5marks)
- Income and expenditure account for the year ended 31 December 2014 (8marks)
- Statement of financial position as at 31 December 2014 (7marks)

QUESTION FOUR

Nina Nana and Aidan entered into partnership on 1st 2020 sharing capitals in the ratio 3:2:1 and profits 4:3:2 the partnership agreement provides for 5% per annum interest on capitals. The following are the balances in their books as at 31st March 2021

	ksh	Ksh
Capital		75,000
Purchases	120,000	
Sales		150,000
Rent	2,400	
Insurance commissions		1,540
Rates and insurance	1,280	
Drawings: Nina	2,000	
Nana	3,000	
Aidan	4,000	
Loan – Nina (31 December)		40,000
Loan – Aidan (30 th June)		90,000
Freehold property	220,000	
Motor vehicle (30 September)	7,000	
Sundry debtors	15,000	
Sundry creditors		18,000
Telephone	550	
Fixtures	1,250	
Salaries	5,750	
Electricity	1,400	
Bad debts	360	
Bank interest	400	

Bank		10,000
Cash	150	
	384,540	384,540

Additional information;

1. Closing stock sh.12,000
2. Depreciative vehicle and fixtures by 20% per annum and 8% per annum respectively
3. The debit of sh. 550 for telephone includes a deposit (returnable) of sh. 50, calls unpaid amount to shs. 60
4. Provide for ;
 - Salaries in arrears sh.270
 - Insurance prepaid shs.400
 - Rates owing sh. 700
5. Since the trial balance was drawn up debt of shs. 1400 have proved irrevocable and must be written off
6. A provision for bad debt of 5% is to be created
7. General expenses of shs.960 were paid by Aidan out of his own pocket on 31 December 2020
8. Interest on loans is at the rate of 5% per annum

Required:

- a) Income and appropriation accounts for the year ended 31 march 2021 (10 marks)
- b) The partner's turn hut accounts (4 marks)
- c) Statement of financial position as at 31st march 2021 (6 marks)

QUESTION FIVE

Butula construction company ltd won a contract for the construction of a multi-storey building at a cost of ksh.200 million. The data relating to the contract for the year ended 31 December 2020 were as follows;

	Ksh 000
Material issued to the site	80,000
Material purchased locally	15,700
Direct wages;	
Paid	5,800
Accrued	350
Plant purchased and installed	48,800
Direct expenditure;	
Paid	1,780
Accrued	70
Establishment change	180

Materials returned to store	850
Work certified	150,000
Cost of work not certified	3,800
Material on site 31 December	5,330
Value of plant on 31 December	41,500

Required;

- a) The contract account
- b) The contractee account

(15 marks)

(5 marks)