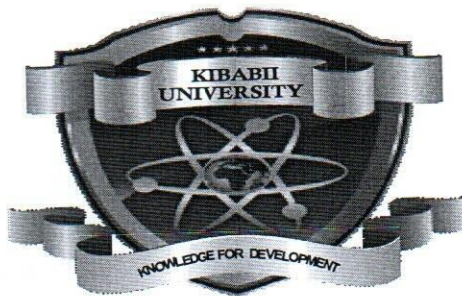


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UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR
FIRST YEAR SECOND SEMESTER
MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF EDUCATION ARTS

COURSE CODE: BBM 100

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 13TH 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.

SECTION A

QUESTION ONE (COMPULSORY)

a) Using appropriate examples, explain precisely the following accounting concepts:

- | | |
|-----------------------------|---------|
| i) Going concern concept | 2 marks |
| ii) Duality concept | 2 marks |
| iii) Consistency concept | 2 marks |
| iv) Historical cost concept | 2 marks |
| v) Materiality concept | 2 marks |

b) State and explain in detail any Six types of books of original entry (12marks)

c) Differentiate between the following terms as used in accounting

- | | |
|--|----------|
| i) Outstanding expenses and prepaid expenses | (2marks) |
| ii) Fixed assets and Current assets | (2marks) |
| iii) Return inwards and return outwards | (2marks) |
| iv) Credit note and Debit note | (2marks) |

SECTION B (ANSWER ANY TWO QUESTIONS)

QUESTION TWO

a) Describe four factors that affect the changes in capital (4 marks)

b) The following information relates to the books of ABC Traders for the month of

March 2020

2020

- March 1 Started business with cash Sh.1,000.
- “ 2 Bought goods on credit from Auma Sh.296.
- “ 3 Paid rent by cash Sh.28.
- “ 4 Paid Sh.1,000 of the cash of the firm into a bank account.
- “ 5 Sold goods on credit to J Simpson Sh.54.

- “ 7 Bought stationery Sh.15 paying by cheque.
- “ 11 Cash sales Sh.49.
- “ 14 Goods returned by us to Auma Sh.17.
- “ 17 Sold goods on credit to P Lutz Sh.29.
- “ 20 Paid for repairs to the building by cash Sh.18.
- “ 22 J Simpson returned goods to us Sh.14.
- “ 27 Paid Auma by cheque Sh.279.
- “ 28 Cash purchases Sh.125.
- “ 29 Bought a motor vehicle paying by cheque Sh.395.
- “ 30 Paid motor expenses in cash Sh.15.
- “ 31 Bought fixtures Sh.120 on credit from R west.

Required: Prepare relevant ledgers accounts 16marks

QUESTION THREE

1. The cash book of Ramogi stores had a debit balance of sh 24000 on 30th June 2016. On the same date the bank statement had a credit balance of sh 25900. The two documents were compared and the following differences were realized.

- i) A cheque of sh 7600 deposited on June 29 had not been evident by the bank.
- ii) Cheque no. 003 drawn for sh 5,200 was recorded in the cash book as sh 2500
- iii) The bank had collected cheque from debtors worth sh 9700.
- iv) The bank charges for the month amounted to sh 1600
- v) A cheque issued to a creditor of sh 11,200 was paid by bank as sh 12000
- vi) A cheque drawn against Runinga stores for sh 6800 was charged in error against Ramogi stores account
- vii) A standing order of sh5500 had been paid by the bank
- viii) A dividend cheque for sh 9000 had been collected and credited by the bank.
- ix) Unrepresented cheques amounted to sh 15,800.

Required:

- a) Prepare an adjusted cash book (5 marks)
- b) Bank reconciliation statement (5 marks)

2. Explain in detail five causes of the differences between cash book balance bank column and the bank statement balance (10 marks)

QUESTION FOUR

- a) Explain three limitations of financial statements (6 marks)

- 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.	
838,000	Sales ledger- Debit balances
184,000	- Credit balances
196,000	Purchases ledger – Debit balances
598,000	- Credit balances
	Transactions during the month:
8,784,000	Sales on credit
7,849,000	Purchases on credit
248,000	Return inwards
179,000	Returns outwards
2,968,000	Cheques received from trade debtors
4,674,000	Cash paid to trade creditors
1,393,000	Cheques paid to trade creditors
139,000	Bad debts written-off
162,000	Discounts allowed to trade debtors
231,000	Discounts received from trade creditors
356,000	Credit sales off-set against credit purchases
598,000	Credit purchase of a motor vehicle posted in the purchases ledger
193,000	Dishonoured cheques from trade debtors
106,000	Cash received to replace dishonoured cheque from trade debtor
147,000	An invoice to trade debtors of sh. 174,000 posted as

Balances as at 30 April 2015:

- i. Sales ledger credit balances 123,000
 ii. Purchases ledger debit balances 177,000

Prepare

QUESTION FIVE

- a. Sales ledger control account 8marks
- b. Purchase ledger control account 6marks

a) The following trial balance has been extracted from the ledger of Mr. Samuel Smith, a sole trader, as at 31 May 2019, the end of his most recent financial year.

Trial Balance as at 31 May 2019

Details	Dr	Cr
Property at cost	90,000	
Equipment at cost	57,500	
Provision for depreciation (as at 1 June 2008)		12,500
Property		32,500
Equipment		27,400
Stock as at 1 June 2008		259,600
Purchases		405,000
Sales	3,370	
Discount		4,420
Discount	52,360	
Wages and salaries	1,720	
Bad debts	1,560	
Loan interest	5,310	
Carriage outwards	38,800	
Other operating expenses	46,200	
Trade Debtors		33,600
Trade creditors		280
Provision for bad debts	151	
Cash on hand		14,500
Bank overdraft	28,930	
Drawings		12,000
13% loan		98,101
Capital, as at 1 June 2008	612,901	612,901

The following additional information as at 31 May 2019 is available:

- i. Stock as at the close of business was valued at sh. 25,900
- ii. Depreciation for the year ended 31 May 2009 has yet to be provided as follows:
 - Property - 1% using the straight line method
 - Equipment - 15% using the straight line method
- iii. Wages and salaries are accrued by sh. 140
- iv. Other operating expenses include certain expenses prepaid by sh.500. Other expenses included under this heading are accrued by sh. 200
- v. The provision for bad debts is to be adjusted so that it is 0.5% of trade debtors as at 31 May 2009.

Required:

- i. Trading profit and loss account for Mr. Samuel Smith as at 31 May 2009 (10 marks)
- ii. Statement of financial position as at 31 May 2009 (10 marks)