



KIBABII UNIVERSITY COLLEGE

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DEPARTMENT OF BUSINESS MANAGEMENT & ECONOMICS

COURSE CODE: BCA 100

COURSE TITLE: FINANCIAL ACCOUNTING 1

DATE: 27TH AUGUST, 2014

TIME: 9:00A.M.-12NOON

INSTRUCTIONS: Answer question one and any other three questions

QUESTION ONE

- a) Accounting practice depends upon the guidance provided by a number of accounting concepts some of which are to be found in IASB and /or in the conceptual framework of the International accounting standards committee

Required:

Define and explain the relevance of the following accounting concepts, giving appropriate examples in each case

- | | |
|-------------------|-----------|
| i) Comparability | (2 marks) |
| ii) Prudence | (2 marks) |
| iii) Objectivity | (2marks) |
| iv) Going concern | (2 marks) |
- b) Identify and explain any four errors which are not disclosed by the trial balance (8 marks)
- c) Identify and explain any four books of original entry (8 marks)
- d) Explain the term depreciation (1 mark)

QUESTION TWO

All business transactions, however simple or complex , will result in change of the three basic elements of the accounting equation. Use the following transactions to explain the above statement (15 marks)

- i) Mr Prasad commenced business with a capital of Kshs 30,000
- ii) Purchased furniture for Kshs 5000
- iii) Borrowed Kshs 20,000 from Mr Gopal
- iv) Purchased good for cash Kshs 30,000
- v) Goods worth Kshs 10,000 were sold on credit to Genesh for kshs 12,000
- vi) Paid electricity charges Ksh 300

QUESTION THREE

The following transactions relate to a business concern for the month of December 2005. Journalize them, post into ledger account, balance the accounts and prepare a trial balance (15 marks)

- 1st started business with a capital of Kshs 9000
2nd Purchased furniture Kshs 300
3rd Purchased goods Kshs 6000
11th Received order for half of goods from Chui
15th Delivered goods to Chui invoiced ksh 4000
17th Received order for the remaining half of good from Chui
21st Delivered goods, cash received kshs 3800
31st paid wages kshs 300

QUESTION FOUR

- a) By use of relevant illustrations, narrate the rules of debit and credit in journalising transactions (10 marks)
- b) Explain the significance of trial balance (5 marks)

QUESTION FIVE

The following are extracts form the cash book and bank statement of K. Peters. You are required to

- a) Write the cashbook up to date, and state the new balance as on 31 December 2008
- b) Draw up a bank reconciliation statement as on 31 December 2008

Dr		Cr	
2008	Amount	2008	amount
December 1 balance b/d	1,740	Dec 8 A. Dailey	349
Dec 7 J. Map	88	Dec 15 R. Mason	33
Dec 22 J. Cream	73	Dec 28 G. Small	115
Dec 31 K. Wood	249	Dec 31 Balance C/d	1831
Dec 31 M. Barrett	178		<u>2328</u>
	<u>2328</u>		

Bank statement

2008	Dr	Cr	Balance
Dec 1 Balance b/d			1740
Dec 7 Cheque		88	1828
Dec 11 A. Dailey	349		1479
Dec 20 R. Maso	33		1446
Dec 22 Cheque		73	1519
Dec 31 Credit transfer J Walters		54	1573
Dec 31 Bank charges	22		1551