



**KIBABII UNIVERSITY COLLEGE**

*(A Constituent College of Masinde Muliro University of Science Technology)*

P.O. Box 1699-50200 Bungoma, Kenya

Tel. 020-2028660/0708-085934/0734-831729

E-mail: [enquiries@kibabiiuniversity.ac.ke](mailto:enquiries@kibabiiuniversity.ac.ke)

**FACULTY OF EDUCATION SCIENCE & SOCIAL SCIENCE**

**1<sup>ST</sup> YEAR 2013/2014 ACADEMIC YEAR**

**1<sup>ST</sup> SEMESTER EXAMINATION**

**FOR THE CERTIFICATE IN BUSINESS MANAGEMENT**

**COURSE CODE: CIB 101**

**COURSE TITLE: FOUNDATIONS OF ACCOUNTING**

**DATE: 19<sup>TH</sup> AUGUST, 2014**

**TIME: 9:00A.M.-11:00P.M.**

---

**INSTRUCTIONS**

Answer ALL questions in SECTION A and any THREE in Sections B

## SECTION A

### QUESTION ONE

- a) Define accounting and explain why it is a science as well as an art (5 Marks)
- b) State and explain 5 users of accountings information (10 Marks)

### QUESTION TWO

Consider the following information extracted from the books of Andrew Okumu, a sole trader for the period ending 31.05.2014

May 2014

- 1<sup>st</sup> Paid into bank capital of shs 10,000
- 2<sup>nd</sup> transferred shs 7000 from bank to the cash till
- 3<sup>rd</sup> Bought goods worth shs 1500 by cheque payment
- 4<sup>th</sup> Bought goods worth shs 400 on credit
- 5<sup>th</sup> paid rent shs 2000 by cheque
- 6<sup>th</sup> paid wages by cash shs 600
- 15<sup>th</sup> Received shs 700 from sales made
- 25<sup>th</sup> Bought goods by cheque shs 1500
- 30<sup>th</sup> made sales worth shs 1900 cash

#### Required:-

Prepare a two column cash book for the business of Andrew Okumu as at end 30<sup>th</sup> July (10 Marks)

## SECTION B

### QUESTION THREE

- a) Explain the use of the following books of original in Accounting
  - i) Purchases data book (5 Marks)
  - ii) Sales ledger (5 Marks)
  - iii) General ledger (5 Marks)

### QUESTION FOUR

The following transactions relate to Kibabii Trader for the month of April 2014

April

- |   |         |
|---|---------|
| 1. Commenced business with capital cash   | 500,000 |
| 2. Deposited cash into bank               | 250,000 |
| 3. Bought goods from Tulie traders        | 125,000 |
| 4. Sold goods to Neno Ltd on credit       | 100,000 |
| 6. Bought goods on credit from Rhodah     | 150,000 |
| 8. Paid wages cash                        | 5,000   |
| 10. Sold goods to Neno Ltd against cheque | 200,000 |
| 12. Paid wages in cash                    | 2,000   |

16. Paid office expenses in cash 1,750

**Required:-**

Prepare T- accounts and balance off the accounts relating to the above transaction (15 Marks)

**QUESTION FIVE**

Explain the following concepts of accounting

- a) Prudence (5 Marks)
- b) Going concern (5 Marks)
- c) Historical cost (5 Marks)

**QUESTION SIX**

The following Trial balance were extracted from the books of Wanga proprietor, a sole trader for the month ended April 2014

April	Dr	Cr
	Shs. '000'	shs '000'
Revenues		16,000
Purchases	4,000	
Carriage on purchases	500	
Return inwards	400	
Return outwards	150	
Salaries & wages	360	
Rent	550	
Debtors & Creditors	2,000	6,000
Electricity	1,200	
Other expenses	840	
Stock	<u>12,000</u>	
	<u>22,000</u>	<u>22,000</u>

**REQUIRED**

Profit & Loss account for the period ended April 2014

**QUESTION SIX**

Consider the following set of transactions

- i) Trade sales worth shs 100,000 on credit
- ii) Received cash payment for goods sold on credit
- iii) Bought goods worth shs 4,500
- iv) Made on sale on credit worth shs 2500
- v) Bought a second hand van of shs 70,000

**Required:**

Record the above transactions in the following books

- i) General ledger (10 Marks)
- ii) Sales day book (5 Marks)