



KIBABII UNIVERSITY COLLEGE

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Knowledge for Development

UNIVERSITY REGULAR EXAMINATION

MAIN EXAMINATION

1ST YEAR 1ST SEMESTER 2013 / 2014 ACADEMIC YEAR

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DIB 100

COURSE TITLE: INTRODUCTION TO FINANCIAL ACCOUNTING

DATE: 11TH AUGUST, 2014

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

INSTRUCTIONS

- Answer all questions in section A and any THREE from section B

SECTION A

QUESTION ONE

- a) Discuss the objectives of accounting (10 Marks)
- b) Explain FIVE advantages of computerized accounting systems (5 Marks)

QUESTION TWO

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

April	Shs
1 Commercial business cash	500,000
2 Deposited cash into bank	250,000
3 Sold goods in cash	125,000
4 Sold good on credit	150,000
6 Paid wages in cash	5,000
7 Paid office expenses	1,750
8 Paid rent in cash	20,000
9 Paid salaries by cheque	10,000
12 Paid salaries for the month by cheque 20,000	20,000

Required:

- a) Two column cash book to record the above transaction (5 Marks)
- b) Post the accounts to the relevant ledger accounts and close them (5 Marks)

SECTION B

QUESTION THREE

Explain the following principles of accounting

- a) Historical cost (5 Marks)
- b) Substance over form (5 Marks)
- c) Prudence (5 Marks)

QUESTION FOUR

Joseph Omae's bank balance as per his bank statement on 31st December 2013 was shs 706,500. His cash book on the same date showed a debit bank balance of shs 2,366,500

The following discrepancies were found:

1. Receipts amounting to shs 26,500 had not been entered in the cash book
2. Bank ledger amounting to shs 3000 had not been entered in the cash book
3. Cheques amounting to shs 22,500 had not been presented to the bank
4. The bank had not credited receipts amounting to shs 98,500 paid directly to the bank on 31 December 2013
5. Standing orders of shs 62,000 had not been entered in the cash book
6. A payment in the cash had been overstated by shs 4500
7. Cheque of shs 15,000 from a debtor returned by the bank had not been recorded in the cash book

8. The cash book opening balance on 1st Jan 2013 of shs 329,250 was brought forward as a debit balance instead of accredit balance.
9. A cheque for a payment of shs 44,000 to a supplier canded by Joseph Omae in the cash book had already been honored by the bank
10. An amount of shs 832, 500 paid by a debtor into the bank account was erroneously posted into another customers account.

Required:

- i) Statement of an adjusted cash book balance as at 31 December 2013. (10 Marks)
- ii) Bank reconciliation statement as at 31st December 2013 (5 Marks)

QUESTION FIVE

- a) Explain the importance of control accounts (5 Marks)
- b) The following information was extracted form the books of Kesho Ltd

	Shs
Credit purchases	9,000,000
Credit sales	12,000,000
Cash sales	6,000,000
Return inwards	1,500,000
Return outwards	750,000
Dishonored cheque	50,000
Contra	65,000
Cash received form debtors	5,500,000
Cheque received from debtors	4,000,000
Interest on overdue debts	6,000
Discount received	10,000
Bad debts	8,000
Discount allowed	2,000

Required:

Sales ledger control a/c/ and purchases ledger control account (10 Marks)

QUESTION SIX

Explain the main reasons why accountant prepare the following books of account

- a) Bank reconciliation (5 Marks)
- b) Three column cash book (5 Marks)
- c) Expense account (5 Marks)

QUESTION SEVEN

The following trial balance was extracted from the books of J J Ltd as at 31st December 2013

	Shs	shs
	00	000
State capital		
1,560,000 ordinary shares @ shs 10 each		156,000
520,000 % preference shares @ shs 50 each		26,000
Share premium account		20,800
Debtors and creditors	85,800	38,480
Sales		1,248,000
Purchases	1,097,200	
7% debentures		26,000
Discount allowed & received	1,300	3,380
Building at cost	130,000	
Accumulated dep on buildings (1 st Jan 2013)		13,000
Furniture at cost	466,400	
Accumulated dept on furniture (1 st Jan 2013)		66,560
Return outwards		20,800
General expenses	33,800	
Administrative expenses	14,560	
Selling and Distribution expenses	43,420	
Bad debts	1,040	
Allowance for doubtful debts (1 st Jan 2013)		41,680
Revenue re-entries (1 st Jan 2013)		94,120
Goodwill	41,600	
Bank overdraft	<u> </u>	<u>6,500</u>
	1,724,320	1,724,320

Additional information

- Trade receivables include shs 5,200,000 due form Mr Semem who has been declared bankrupt. The debt has been declared to be written off.
- The allowance for doubtful debts as at 31st December 2013 is to be maintained at 5% of the debtors as at the date
- Prepaid expenses (general) as at 31st December 2013 amount to a 1,820,000
- Administrative expenses accrued as at 31 December 2013 amount to shs 1,820,000
- The company had not paid interest on debentures as at 31 December 2013
- Gross profit is at the rate of 10% as sales
- Depreciation on non-current assents is provided on cost at the onset at the following rates

Non-current asset	Rate per annum
Buildings	2%
Furniture	10%
- The company's directors propose the following for the them
 - A dividend of 10% on the ordinary shares be paid
 - Preference share dividend be paid

iii) Transfer of the 65,000 to general expenses

Required:-

- a) Statement of financial performance for the year ended 31 December 2013 (10 Marks)
- b) Statement of Financial position as at 31 December 2013 (5 Marks)