



# **KIBABII UNIVERSITY COLLEGE (KIBUCO)**

## **MAIN CAMPUS**

**UNIVERSITY EXAMINATIONS  
2014 /2015 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER EXAMINATIONS**

**MAIN EXAMINATION**

**DIPLOMA  
IN  
INFORMATION TECHNOLOGY**

**COURSE CODE:** DIT 070

**COURSE TITLE:** PRINCIPLES OF ACCOUNTING

**DATE:** 21<sup>st</sup> January 2015

**TIME:** 2.00-4.00 p.m.

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**INSTRUCTIONS TO CANDIDATES:**

Answer Question ONE and any other Two Questions

TIME: 2 Hours

**SECTION A- COMPULSORY**

**QUESTION ONE (30 MARKS)**

- a) Distinguish between financial and managerial accounting (4 marks)
- b) Explain the parties that would be interested in a firm’s final accounts, clearly explaining how these accounts would be of help to them (12 marks)
- c) State and briefly explain the accounting equation (4 marks)
- d) Identify the accounts affected by the following transactions and show the action to be taken in recording the accounts in the double entry system (Transaction 1 illustrates how the answers are required to be ) (10 marks)

	<b>Transaction</b>	<b>Effect</b>	<b>Double entry</b>
1	Owner puts cash into the business Into the business	<ul style="list-style-type: none"> <li>• Asset of cash increased</li> <li>• Capital increased</li> </ul>	<ul style="list-style-type: none"> <li>• Dr. cash a/c</li> <li>• Cr. Capital a/c</li> </ul>
2	Paid creditor, Leonard by cheque	•	•
3	Bought goods on credit from Wangila	•	•
4	A debtor, Kamau paid us by cheque	•	•
5	Received rent payment in cash	•	•
6	Owner withdraws cash from business	•	•

**SECTION B**

**QUESTION TWO (20 MARKS)**

- a) Explain the three types of ledger (6 marks)
- b) State any four uses of ledger accounts (4 marks)
- c) Kageya commenced business on 1<sup>st</sup> July 2010 with Kshs. 12,720 cash in hand and a bank overdraft of Kshs. 13,392. His transactions for the month were as follows:

<b>CASH RECEIPTS</b>	<b>KSHS</b>
16 <sup>th</sup> July Sales	47,376
17 <sup>th</sup> July Sales	23,520
21 <sup>st</sup> July Drew a cheque for office use	9,600
28 <sup>th</sup> July Sold old office desk	3,600
<b>CASH PAYMENTS</b>	<b>KSHS</b>
4 <sup>th</sup> July purchases	6,000
7 <sup>th</sup> July Assistant’s wages	2,400

9 <sup>th</sup> July Drew for private use	2,400
10 <sup>th</sup> July Stationery	3,408
16 <sup>th</sup> July Banked cash	36,000
23 <sup>rd</sup> July Wages	4,800
31 <sup>st</sup> July Water	720
31 <sup>st</sup> July Wages	2,400
<b>BANK RECEIPTS</b>	<b>KSHS</b>
2 <sup>nd</sup> July loan from a friend	48,000
6 <sup>th</sup> July Sales	82,000
10 <sup>th</sup> July A. Sembatya	13,440
16 <sup>th</sup> July Cash banked	36,000
<b>BANK PAYMENTS</b>	<b>KSHS</b>
5 <sup>th</sup> July office desk	4,800
11 <sup>th</sup> July motor repairs	4,800
15 <sup>th</sup> July Waigwa M	37,200
20 <sup>th</sup> July Purchases	51,774
21 <sup>st</sup> July Maduli M.	24,000
21 <sup>st</sup> July office cash	9,600
27 <sup>th</sup> July office rent	3,600
28 <sup>th</sup> July Insurance	4,800
31 <sup>st</sup> July Electricity	1,200
31 <sup>st</sup> July Drew for own use	4,800

### Additional information

Sembatya was allowed a cash discount of kshs. 960 and a cash discount of kshs. 1200 was received from Waigwa.M

### Required

Prepare Kageya's cash book for the month (10 marks)

### QUESTION THREE (20 MARKS)

(a) On January 1<sup>st</sup> 2004, Chanja had the following assets and liabilities:

DETAILS	KSHS
Cash at bank	1400,000
Stock	4000,000
Debtors: W. Kamau	1500,000
R. Nundu	960,000
Creditors: J.Polo	1300,000
S. Matoke	850,000
Office equipment	420,000
Motor van	3200,000

### **Additional information**

#### **His transactions during the month of January were as follows:**

- (i) 2<sup>nd</sup> January, withdrew kshs. 200,000 from the bank for office use and purchased goods from J. Polo for kshs. 250,000 on credit.
- (ii) 4<sup>th</sup> January, bought office stationery at Kshs.36, 000 in cash.
- (iii) 7<sup>th</sup> January, received a cheque of kshs. 940,000 from R. Nundu in full settlement less kshs. 20,000 cash discount.
- (iv) 12<sup>th</sup> January, sold goods to W. Kamau for kshs. 1400,000 on credit.
- (v) 14<sup>th</sup> January, paid salaries worth kshs. 80,000 in cash.
- (vi) 15<sup>th</sup> January, paid salaries worth kshs.60,000 by cheque on account
- (vii) 16<sup>th</sup> January, returned goods worth Kshs.30, 000 to J.Polo and received a credit note.
- (viii) 20<sup>th</sup> January, bought office equipment kshs. 145,000 on credit from Patel brothers.
- (ix) 23<sup>rd</sup> January, sold all goods on hand receiving kshs.1250,000 cash and Kshs. 5000,000 by cheque
- (x) 27<sup>th</sup> January, paid Patel brothers Kshs.130, 000 in cash.
- (xi) 28<sup>th</sup> January, withdrew kshs. 370,000 from the bank for personal use.
- (xii) 29<sup>th</sup> January, paid rent of Kshs. 160,000 in cash and salaries of kshs.180,000 by cheque.

#### **Required:**

- (a) Determine Chanjas capital as at 1<sup>st</sup> January 2004 (6 marks)
- (b) Post the above transactions to the relevant ledger accounts (14 marks)

### **QUESTION FOUR**

- (a) Write short but concise notes about each of the following
  - (i) Going concern concept
  - (ii) Business entity concept
  - (iii) Monetary concept
  - (iv) Working capital management (12 marks)
- (b) ABC limited requires, 2000 units of a component in its manufacturing process in the coming year which costs kshs. 50 each. The items are available locally and the lead time in one week. Each order costs kshs.50 to prepare and process, while the holding cost is kshs 15 per unit per year for storage plus 10% opportunity cost of capital.

#### **Required**

- (a) How many units should be ordered each time an order is placed to minimize inventory costs? (3 marks)
- (b) What is the re-order level? (3 marks)
- (c) How many orders will be placed per year? (2 marks)

### QUESTION FIVE (20 MARKS)

The following is a trial balance of Nafula as at 1<sup>st</sup> October 2010

	<b>Dr</b>	<b>Cr</b>
	Kshs	Kshs
Stock 1 <sup>st</sup> October 2009	23,680	
Closing stock	29,460	
Carriage outwards	2,000	
Returns Inwards	3,100	
Returns Outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries & wages	38,620	
Rent paid	3,040	
Insurance	780	
Discount received		2,000
Rent received		1,200
Income from services		1,800
10% loan –Brick		10,000
Motor expenses	6,640	
Office expenses	2,160	
Lighting & heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	32,900	
Fixtures & fittings	3,600	
Debtors	38,960	
Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital		126,360

#### Required

- (i) Prepare Nafula's income statement for the year ended 31<sup>st</sup> December 2010.  
(12 marks)
- (ii) Draw up Nafula's balance sheet as at that date  
(8 marks)