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**KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR**  
**FIRST YEAR, FIRST SEMESTER EXAMINATION**  
**FOR THE DIPLOMA IN ACCOUNTING**  
**DAC 1501- FINANCIAL ACCOUNTING**

Date: 9<sup>TH</sup> DECEMBER, 2022  
Time: 8.30am-10.30am

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

- a) Accounting principles are applied by all business enterprises across the world to achieve their objectives. State and explain four purposes of accounting to businesses in Kenya today. (8 Marks)
- b) During May 2022, John Trading Company made the following transactions:  
**May 01:** Cash debit balance Sh.2, 200, bank Credit balance Sh.365.  
**May 03:** Paid James by cheque Sh.1,200, discount received amounting to Sh.15.  
**May 05:** Received from Abel a cheque for Sh.980, discount allowed to them Sh.20.  
**May 10:** Purchased stationery for cash, Sh.150.  
**May 15:** Purchased goods for cash, Sh.1,300.  
**May 15:** Cash sales for the first half of the month, Sh.2, 350.  
**May 16:** Deposited into bank Sh.1, 600.  
**May 18:** Cash withdrawn from bank for personal expenses Sh.150.  
**May 19:** Paid by cheque purchases Sh.1,650.  
**May 21:** Drew cash from bank for office use, Sh.650.  
**May 24:** Received a cheque from Sammy Sh.1,560.  
**May 25:** Paid a cheque to Ali for Sh.400 and received a discount of Sh.15.  
**May 27:** Purchased furniture in cash for office use, Sh.390.  
**May 29:** Paid office rent by cheque, Sh.450.  
**May 30:** Cash sales for the second half of the month, Sh.4,300.  
**May 31:** Paid salaries by check, Sh.1,760.  
**May 31:** Withdrew cash from bank for office use, Sh.1,470.

**Required:**

Post entries to three column cash book and balance off. (12 Marks)

- c) The audited books of TendaWema Ltd. As at 31<sup>st</sup> December 2021 showed the following errors.
- A cash sale of sh.1000 was not recorded.
  - Rates expense of sh.5000, paid in cash has been debited to the rent account in error.
  - A purchase of machinery sh.10,000 on credit has been debited to the machinery repairs expense account.
  - A cash sale of sh.76 has been recorded as sh.67.
  - A cash sale of sh.200 has been debited to sales and credited to cash.

**Required:**

Provide the necessary journal entries to correct each of the following errors. (10 Marks)

## **QUESTION TWO (20 MARKS)**

The following are the balances taken from the books of ShauriMoyo Ltd on May 31<sup>st</sup>, 2022.

	<b>DR.</b>	<b>CR.</b>
Carriage inwards	1,500	
Opening stock	16,000	
Bank Overdraft		1,500
Debtors & Creditors	28,000	10,000
Furniture	5,000	
Machinery	40,000	
Discount Received		500
Buildings	45,650	
General expenses	12,200	
Purchases & Sales	75,000	200,000
Returns	5,000	2,000
Carriage outwards	400	
Wages	30,000	
Salaries	18,000	
Electricity	800	
Transport	1,200	
Insurance	450	
Rent	4,800	
Drawings	5,000	
Cash in Hand	5,000	
Capital		80,000
<b>TOTALS</b>	<b>294,000</b>	<b>294,000</b>

### **Additional Information:**

- Depreciation is provided for furniture was 10% and machinery at 5 % p.a.
- Prepaid Insurance was Sh. 200.
- Wages in arrears was Sh 2,000
- Salaries in arrears was Sh. 1,500
- Closing stock is valued at Sh. 38,000.

### **Required:**

- i) Prepare Income Statement for the Year ending 31<sup>st</sup> May 2022. (12 Marks)
- ii) Prepare Statement of financial position as at 31<sup>st</sup> May 2022. (8 Marks)

### **QUESTION THREE (20 MARKS)**

- a) Milimu Ltd. discovered some differences between their cashbook records and the records from the bank statements. Briefly explain four causes of such differences. (4 Marks)
- b) Unga Ltd. had the following transactions in the month of July 2022.

July 1<sup>st</sup>: Started business with a capital of 75,000 cash

1 <sup>st</sup>	:	Purchased goods from Manu on credit 25,000
2 <sup>nd</sup>	:	Sold goods to Sonu 20,000
3 <sup>rd</sup>	:	Purchased goods from Meenu 15,000
4 <sup>th</sup>	:	Sold goods to Tanu for cash 16,000
5 <sup>th</sup>	:	Goods returned to Manu 2,000
6 <sup>th</sup>	:	Bought furniture for 15,000
7 <sup>th</sup>	:	Bought goods from Zenu 12,000
8 <sup>th</sup>	:	Cash paid to Manu 10,000
9 <sup>th</sup>	:	Sold goods to Jane 13,500
11 <sup>th</sup>	:	Cash received from Jane 5,500
13 <sup>th</sup>	:	Returned Goods to Zenu 1,000
14 <sup>th</sup>	:	Cash received from Sonu 12,000
15 <sup>th</sup>	:	Bought machinery for 18,000
19 <sup>th</sup>	:	Cash sales 15,000
20 <sup>th</sup>	:	Cash purchases 13,500

#### **Required:**

- i) Record the above transactions in the ledger. (10 Marks)
- ii) Balance off the accounts. (3 Marks)
- iii) Extract a trial balance. (3 Marks)

### **QUESTION FOUR (20 MARKS)**

- a) Briefly explain four importance of a balance sheet to accountants in Kenya today. (4 Marks)
- b) Differentiate the following:
- i) Capital and revenue (2 Marks)
  - ii) Real accounts and nominal accounts (2 Marks)
  - iii) liquidity and solvency (2 Marks)
- c) The accounting profession has a long time relied on certain accounting concepts to guide accounting practice. Yet the application of the same concepts has been the source of criticism of the quality and relevance of information contained in financial reports. Explain the meanings of the following concepts and cite where they can be applied by accountants.
- i) The dual aspect concept (2 Marks)
  - ii) The money measurement concept (2 Marks)
  - iii) The Accrual concept (2 Marks)
  - iv) Convention of consistency (2 Marks)
  - v) Matching Concept (2 Marks)

**QUESTION FIVE (20 MARKS)**

a) Define a bank reconciliation statement. (2 Marks)

b) The following information is provided for Bamboo Ltd.

2022 July 1: Credit purchases from Kevin sh.30, 800; Norman sh.5000; Senior sh 1006.

3: Credit sales to: Riggysh 5010; Philips sh. 2046; Tomsh 3056

5: Credit Purchases from: Martin sh. 2000; James sh. 1080; Edwards sh.1040;

Davies sh.606

8: Credit sales to: Green sh.3070; George sh. 2050; Felix sh. 1085.

12: Return outwards to: Norman sh.300; Senior sh 106.

14: Return inwards from: Philips sh. 108; Tom sh.202

20: Credit sales to: Philips sh. 1088; Peris sh.3010; Lee sh 4020.

24:Credit Purchases from: Felix sh. 5050; Eleanorsh 9000.

31: Return inwards from: Philips sh. 207; Riggy sh.300

31: Return outwards to James sh. 103 Davies Sh. Sh. 101

**Required:**

Prepare the following;

- i) Purchases Journal &its Ledger Account (5 Marks)
- ii) Sales Journal &its Ledger Account (5 Marks)
- iii) Return Outwards Journal &its Ledger Account (4 Marks)
- iv) Return Inward Account &its Ledger Account (4 Marks)