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KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE CERTIFICATE IN BUSINESS MANAGEMENT
CBM 021-FUNDAMENTALS OF ACCOUNTING

Date: 15th August 2023
Time: 2.30pm-4.30pm

INSTRUCTIONS TO CANDIDATES:

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) The main objective of financial accounting is to prepare financial statements useful to various users to make sound economic decisions. Highlight SIX functions of accounting in business entities. (6 Marks)
- b) Accounting is guided by assumptions, customs and traditions referred to as accounting concepts. Name and explain any THREE concepts that guide accountants. (6 marks)
- c) Greg has not been keeping accounts using double entry system and he has been financing his business randomly. He has provided you with the following balances as at 30th June 2023 and you are required to calculate the capital of the business using accounting equation (4 marks)

	Shs
Motor vehicle	575,000
Creditors	207,000
Loan	230,000
Debtors	322,000
Furniture and Equipment	450,000
Cash in hand	11,000
Cash at Bank	240,000
Stock	242,000

- d) Define cash book and explain two types of cash books (4 marks)
- e) Identify and explain any THREE books of original entry (6 marks)
- f) Highlight the importance of statement of profit and loss to users (4 marks)

QUESTION TWO (20 MARKS)

- a) Identify and explain THREE source documents used in accounting. (6 marks)
- b) The following transactions took place in the month of March 2023.

March 2023

- March 1. Jared started a business with Sh 150,000 and deposited the money in the bank
- March 3. Bought goods on credit from Charles Sh 26,000
- March 5. Sold goods on credit to Paul Sh 30,000
- March 6. Paid rent and rates by cheque Sh 15,000
- March 17. Paid wages by cash Sh 6,000
- March 20. Goods were returned by Paul Sh 1,500
- March 23. Paid Charles Sh 16,000 by cheque
- March 26. Received cheques from Paul sh 20,000

Required:

- i. Ledger Accounts for the month of 31 March 2023 (10 marks)
 ii. Trial balance as at 31 March 2023 (4 marks)

QUESTION THREE (20 MARKS)

The following Trial balance was extracted from the books of Molly Enterprises as at 31st December 2022

	Debit	Credit
	Sh	Sh
Capital		497,000
Furniture and equipment	67,500	
Motor vehicle	360,000	
Sales		962,500
Purchases	612,500	
Carriage inwards	6,250	
Carriage Outwards	9,750	
Debtors and creditors	48,750	30,650
Rent	24,000	
Rates	12,000	
Insurance	19,100	
Electricity expenses	9,500	
Stationery	13,500	
Marketing expense	31,000	
general expenses	7,000	
Salaries and wages	142,200	
Cash at bank	76,000	
Drawings	18,000	
Stock 1 January 2022	33,100	
	1,490,150	1,490,150

Stock at 31st December 2022 is Sh 26,500

Required:

- i.) Prepare Income statement for the year ended 31st December 2022 (10 marks)
 ii.) Prepare Statement of Financial Position as at 31st December 2022 (10 marks)

QUESTION FOUR (20 MARKS)

a) The following cash and bank transactions relate to the business of Lawrence for the month of March 2023

- March 1 The opening balance sh 70,000 debit in the bank
- March 2 Cheque received from Michael sh 120,000.
- March 4 Cheque received from Robert Sh 45,000
- March 6 Bought goods paying by cheque Sh 60,000
- March 9 Paid creditors by cheques: Nahashon Sh. 55,000
- March 11 Sold Sh 90,000 worth of goods which were paid directly into the bank by the customer
- March 15 Withdrew cash Sh 25,000 for business use
- March 15 Paid rent Sh 10,000 cash
- March 16 Bought stationery Sh 9000 cash
- March 31 Withdrew Sh 22,000 from bank for personal use

Required:

- Prepare two column cash book (12 marks)

- b) Differentiate the following terms:
- | | | |
|-------|--------------------------------------|-----------|
| i.) | Carriage inward and Carriage outward | (2 marks) |
| ii.) | Sales and Purchases | (2 marks) |
| iii.) | Real accounts and nominal accounts | (2 marks) |
| iv.) | Return inward and return outwards | (2 marks) |

QUESTION FIVE (20 MARKS)

- a) The following information relates to the business of Melek Enterprises for the month of May 2022
- May 1: Credit purchases from Kevin sh.30, 800; Norman sh.5000; Senior sh 1006.
 May 3: Credit sales to: Riggy sh 5010; Philips sh. 2046; Tom sh 3056
 May 5: Credit Purchases from: Martin sh. 2000; James sh. 1080; Edwards sh.1040; Davies sh.606
 May 8: Credit sales to: Green sh.3070; George sh. 2050; Felix sh. 1085.
 May 12: Return outwards to: Norman sh.300; Senior sh 106.
 May 14: Return inwards from: Philips sh. 108; Tom sh.202
 May 20: Credit sales to: Philips sh. 1088; Peris sh.3010; Lee sh 4020.
 May 24: Credit Purchases from: Felix sh. 5050; Eleanor sh 9000.
 May 31: Return inwards from: Philips sh. 207; Riggy sh.300
 May 31: Return outwards to James sh. 103 Davies Sh. Sh. 101

Required:

Prepare the following.

- | | | |
|------|---|-----------|
| i. | Purchases Journal (day book) & purchases Account | (4 Marks) |
| ii. | Sales Journal (day book) & sales Account | (4 Marks) |
| iii. | Return Outwards Journal (day book) & return outward account | (3 Marks) |
| iv. | Return Inward Account (day book) & return inward account | (3 Marks) |
- b) Financial statements are prepared for users to make economic decisions. Identify THREE users and explain how financial statements are useful to them. (6 marks)