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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2018/2019 ACADEMIC YEAR**  
**CERTIFICATE IN BUSINESS ADMINISTRATION**  
**CBM 021- FUNDAMENTALS OF ACCOUNTING**

Date: 10<sup>th</sup> August 2018  
Time: 11.00Am- 1.00 Pm

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) Explain any three key qualities of good accounting information (6 Marks)
- b) Differentiate between the business entity and going concern principles in accounting ( 4 Marks)
- c) Mr.Tumbo commenced trading as a wholesaler stationer on 1 May 2018 with a capital of Sh. 5,000.00 with which he opened a bank account for his business. During May the following transactions took place.
- May 1 sold goods on credit to Hiram sh 2 000
  - May 2 Purchased goods on credit from Abel Sh.650.00
  - May 4 Sold goods on credit to Bruce Sh.700.00
  - May 4 goods returned by Bruce amounted to 50.00
  - May 9 Purchased goods on credit from Green Sh.300.00
  - May 11 Sold goods on credit to Hill Sh.580.00
  - May 13 Cash sales paid into bank account Sh.200.00
  - May 17 Purchased goods on credit from Kay Sh.800.00
  - May 18 Sold goods on credit to Nail for Sh.360.00
  - May 19 Sent Cheque to Abel in settlement of his account
  - May 20 Paid rent by Cheque Sh.200.00
- Required: Prepare the necessary journal entries to record the transactions (10Marks)
- d) D Moody has the following assets and liabilities as on 31 April 2016

	Sh.
Creditors	15,800
Equipment	46,000
Motor Vehicle	25,160
Stock	24,600
Debtors	23,080
Cash at bank	29,120
Cash in hand	160

During the first week of May 2016 Moody:

- i) Bought extra equipment on credit for Sh.5,520
- ii) Bought extra stock by cheque Sh.2, 280.
- iii) Paid creditors by cheque Sh.3, 160
- iv) Debtors paid Sh.3, 360 by cheque and Sh.240 by cash.
- v) Moody put in extra Sh.1, 000 cash as capital.

**Required:**

- a) Determine the capital as at 1<sup>st</sup> May 2002. (3 Marks)
- b) Draw up a statement of financial position after the above transactions have been completed. (7 Marks)

**QUESTION TWO (20MARKS)**

- a) Discuss the four factors that causes changes in the capital (4 Marks)
- b) The following information was extracted from the books of Lima traders for the year ended 31<sup>st</sup> Dec 2009.
  - i) Closing capital as at 31<sup>st</sup> /12/2009 -:Sh 4,000,000.
  - ii) Made profit of -: KSh .200, 000.
  - iii) The proprietor invested into the business from her personal use -: sh. 250,000.
  - iv) The proprietor withdrew in cash for her personal use Sh 60,000.

**Required:**

- c) Using initial capital formula, find the initial capital. (4 Marks)
- Write up the asset, capital and liability accounts in the books of M Crash to record the following transactions (12Marks)

- 2002 June 1 Started business with Sh.50, 000 in the bank.
- 2 Bought motor van paying by cheque Sh.12, 000.
- 5 Bought Fixtures Sh.4, 000 on credit from Office Masters Ltd.
- 8 Bought a van on credit from Motor Cars Ltd Sh.8, 000.
- 12 Took Sh.1, 000 out of the bank and put it into the cash till.
- 15 Bought Fixtures paying by cash Sh.600.
- 19 Paid Motor Cars Ltd by cheque Sh.8000.
- 21 A loan of Sh.10, 000 cash is received from J Marcus.
- 25 Paid Sh.8, 000 of the cash in hand into the bank account.
- 30 Bought more Fixtures paying by cheque Sh.3, 000

**QUESTION THREE (20MARKS)**

- a) State the reasons as to why the goods may be returned by the customer into the firm. (4Marks)
- b) What is a trial balance? (2Marks)
- c) List the Errors that do not affect the ‘balancing’ of Trial Balance and Errors that affect the ‘balancing’ of Trial Balance and Suspense Account. (6 Marks)
- d) The following details for the year ended 31 March 2013 are available. Draw up the trading account of R Sings for that year (8Marks)

Stocks: 1 April 2002	16,523
Returns inwards	1,372
Returns outwards	2,896
Purchases	53,397
Carriage inwards	1,122
Sales	94,600
Stocks: 31 March 2013	14323

**QUESTION FOUR (20 MARKS)**

- a) Differentiate between;
  - i) Debit note and a credit note (2 Marks)
  - ii) Sales invoice and a purchases invoice. (2 Marks)
  - iii) Return inward journal and return outward journal. (2 Marks)
- b) From the information given below, open the relevant journal, then post to the relevant books and then show the transfer to the general ledger. (14Marks)

2017 July 1 Credit purchases from: K Hill Sh.3800; M Norman Sh.500; N Senior Sh.106.

3 Credit sales to: E Rigby Sh.510; E Phillips Sh.246; F Thompson Sh.356.

5 Credit purchases from: R Morton Sh.200; J Cook Sh.180; D Edwards Sh.410; C Davies Sh.66.

8 Credit sales to: A Green Sh.307; H George Sh.250; J Ferguson Sh.185.

12 Returns outwards to: M Norman Sh.30; N Senior Sh.16.

14 Returns inwards from: E Phillips Sh.18; F Thompson Sh.22.

20 Credit sales to: E Phillips Sh.188; F Powell Sh.310; E Lee Sh.420.

24 Credit purchases from: Ferguson Sh.550; K Ennevor Sh.900.

31 Returns inwards from: E Phillips Sh.27; E. Rigby Sh.30.

31 Returns outwards to: J Cook Sh.13; C Davies Sh.11.

**QUESTION FIVE (20 MARKS)**

From the following information from Kiriri traders draw up

- i) Atrial balance, (8 Marks)
- ii) Trading and profit and loss account for the year ended 30 September 2012, (7 Marks)
- iii) A balance sheet as at that date. (7 Marks)

Stock 1 October 2011	23,680
Carriage outwards	2,000
Carriage inwards	3,100
Returns inwards	2,050
Returns outwards	3,220
Purchases	118,740
Sales	186,000
Salaries and wages	38,620
Rent	3,040
Insurance	780
Motor expenses	6,640
Office expenses	2,160
Lighting and heating expenses	1,660
General expenses	3,140
Premises	50,000
Motor vehicles	18,000
Fixtures and fittings	3,500
Debtors	38,960
Creditors	17,310
Cash at bank	4,820
Drawings	12,000
Capital	126,360