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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 17th April, 2024
Time: 2.30pm –4.30pm

KAC 100 - PRINCIPLES OF ACCOUNTING 1

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) S. Mwangi started a business on 1st April 2022 with cash 50000.
The following transactions took place during April 2022.

- April 2022
1. Opened a bank account and deposited kshs. 45000
 2. Bought goods for cash shs. 1000
 3. Bought motor vehicle paying by cheque 20,000
 - 5 Bought goods for shs. 5000 and paid by cheque
 7. Sold goods for cash shs. 2000
 10. Paid expenses shs. 500 in cash
 15. Sold goods and received a cheque for 3500
 16. Deposited cash into the bank shs. 2000
 17. Bought goods for cash shs. 1500
 20. Paid wages shs. 1000 in cash
 22. Withdrew kshs. 1500 from the bank for office use.
 30. Paid general expenses shs. 8000 in cash.

Required

Prepare a cashbook

(10 Marks)

- b) Discuss the four errors which affect the trial balance from balancing

(6 Marks)

- c) Fill the gaps

Assets	Capital	Liabilities
20000	19 389	--
18999	---	10500
-----	23566	3244
-----	10000	1964

(4 Marks)

- d) Mr. Mwangi while extracting his trial balance as at 31 Dec 2023, he observed that the total debits exceeded the total credits by shs. 23,800. After doing investigation he found the following errors.
- i) Sales had been overcast by shs. 1500
 - ii) Return outwards account had not been credited with amount of shs. 6132
 - iii) A payment by a debtor of shs. 15000 by a direct bank transfer had not been entered in the debtors account.
 - iv) A cash purchase of shs. 232 had been recorded in the cash book only.
 - v) Shs. 2200 received from a debtor had been debited to his account.

Required;

- i) Journal entries to correct the errors above (6 Marks)
- ii) Suspense account duly balanced (4 marks)

QUESTION TWO (20 MARKS)

Sam Ongeri started a business as a fish monger on 1 July 2022. His transactions for the month were as follows:

July 2022

- 2- Opened a bank account and deposited shs. 40,000 and cash in hand was shs. 10,000
- 3- Paid rent in cash 3500
- 4- Purchased fish valued shs. 36000 on credit from Kisumu cooperative society.
- 6- Sold fish shs. 58000 in cash
- 7- Purchased office furniture shs. 2700 by cheque
- 9- Deposited shs. 25000 into the bank
10. Purchased fish of shs. 20000 from Kolwa fisheries and paid half of the amount by cheque.
11. Sold fish 15000 on credit to Matunda ltd.
12. Paid transportation shs. 2000 in cash
13. Matunda ltd returned some fish and received a credit note for shs. 2000
16. Received a cheque of shs. 7000 from matunda ltd.
18. Purchased fish shs. 8900 on credit from Agoro sare sacco
19. Sold fish shs. 5300 on credit to samaki restaurant
20. Paid Kisumu co-operative society shs. 16000 by cheque
22. Withdrew shs 5000 from bank for personal use
24. Bought fish shs. 8300 and paid by cheque
26. Sold fish shs. 5600 to Umoja restaurant and received a cheque of Kshs. 1200 in part payment
28. Paid Kolwa fisheries by cheque in full settlement
29. Paid salaries shs. 4700 in cash and water bills sh. 500 by cheque.

Required

- i) Record the above transactions in the ledger accounts and balance them off. (14 Marks)
- ii) Prepare a trial balance (6 marks)

QUESTION THREE (20 MARKS)

The following trial balance was extracted from the books of Red Colours for the year ended 28th February 2017

	DR	CR
Purchase sales	92800	157165
Cash at bank	4100	
Cash in hand	324	
Capital 1 st March 2016		11400
Drawings	17100	
Office furniture	2900	
Rent	3400	
Wages and salaries	31400	
Discounts	820	160
Debtors / Creditors	12316	5245
Stock 1 st March 2016	4120	
Provision for debts		405
Motor van	3750	
Motor van running expenses	615	
Bad debt written off	730	
	<u>174375</u>	<u>174375</u>

Additional information

Closing stock (28 th Feb 2017)	Kshs. 2400
Wages /salary accrued at 28 th feb 2017	ksh. 340
Rent prepaid at 28 th Feb 2017	Kshs 230
Motor van running cost owing Feb 2017	Kshs. 72
Increase provision for debt by	Kshs. 91
Provide depreciation as follows:	
Motor van	Kshs. 1250
Office furniture	Kshs. 380

Required:

Prepare

- a) Income statement for year ended 28th February 2017 (10 Marks)
- b) Statement of financial position as at 28th Feb. 2017. (10 Marks)

QUESTION FOUR (20 MARKS)

- a) The following transactions were extracted from Kayole Secondary School in the month of June 2023.

June 2023

- 1- The cashier received petty cash of shs. 5000
- 2- Paid bus fare shs. 150, and postage 200.
- 3- Bought office stationaries for shs. 1350
- 5- Paid bus fare shs. 250 and telegram 250
- 6- Paid sundry expenses shs. 550

Required:

Prepare a petty cash book

(10 Marks)

- b) Discuss the meaning and relevance of the following accounting principles

- i) Materiality (2 marks)
- ii) Money measurement (2 Marks)
- iii) Consistency (2 Marks)
- iv) Substance over form (2 Marks)
- v) Duality (2 Marks)

QUESTION FIVE(20 MARKS)

- a) On 31st December 2022 the balance at bank as shown by the cash book was shs. 25670. Comparison of the cash book with the bank statement showed the following discrepancies.

- Cheques not presented for payment 12,340
- Cheques paid into bank but not credited by the bank shs. 12,160
- Items shown in the bank statement but not yet entered in the cash book
 - i) Bank charges shs. 240
 - ii) Standing order shs. 460
 - iii) Dividends collected by bank shs. 820

Required

1. Prepare an updated cash book (6 marks)
 2. Prepare a bank reconciliation statement (6 marks)
- b) A cash book is a ledger and book of original entry. Discuss. (3 marks)
- c) Highlight the causes of the differences between the bank statement and the cash book. (5 marks)