



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DIPLOMA IN BUSINESS INFORMATION TECHNOLOGY
DAC 1501 – FINANCIAL ACCOUNTING

Date: 17TH APRIL, 2023
Time: 8:30AM- 10:30AM

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 accounting statements and reports about the business entity useful to number of users to make economic decisions. Identify four users of financial statements and explain how these statements are useful to them. (8 Marks)
- b) i) Accounting data may contain errors that may cause the financial statements to be misleading. Highlight THREE errors that do not affect balancing of Trial balance. (6 Marks)
- ii) The following errors were discovered during audit of books of Jenkins enterprises. For each case prepare the journal entries to correct the errors. (6 Marks)
- The purchase of a pick up by cheque Sh 705,000 had been completely omitted from the accounts
 - The purchase of computer for office for Sh54,000 had been entered in error in the office expenses account
 - A cash sale of Sh 17,000 had been entered in the books, both debit and credit as Sh 10,700
 - A receipt of cash from Jack a debtor of Sh 6,800 had been entered on the credit side of the cash book and the debit side of Jack's account
 - A purchase of goods for Sh 37,200 had been posted in error to drawings account
- c) Explain the difference between cash book and bank reconciliation statement. (2 Marks)
- d) State and explain FOUR source documents in accounting. (8 Marks)

QUESTION TWO (20 MARKS)

The following transactions relate the business of Kimeu who started the business in 1st July 2022.

- July 1. Started business with Sh 100,000 in the bank and Sh 50,000 cash
- July 2. Bought stationery by cash Sh 5,000
- July 3. Bought goods on credit from Wafula Sh 60,000
- July 4. Sold goods for cash sh 54,000
- July 5. Deposited Sh 90,000 cash into the bank account
- July 7. Bought a computer by cheque Sh 30,000
- July 8. Paid water expenses by cash Sh 1,000 and electricity sh 1,200
- July 10. sold goods on credit to Karanja Sh 31,500
- July 11. Returned goods to Wafula Sh 2,000
- July 12. Karanja returned goods worth Sh 1,500
- July 14. Paid wages by cheque Sh 12,000
- July 17. Paid rent by cheque sh 5,000

July 20. Received cheque of Sh 30,000 from Karanja

July 26. Paid Wafula Sh 48,000 by cheque

Required

- i) Ledger accounts and balance off the accounts (16 Marks)
ii) Trial balance as at 31 July 2022 (4 Marks)

QUESTION THREE (20 MARKS)

The following Trial balance was extracted from books of Central Hardware as at 31 December 2022

| | Dr | Cr |
|-----------------------------------|------------------|------------------|
| | Sh | Sh |
| Capital | | 645,000 |
| Furniture, fittings and equipment | 194,400 | |
| Motor vehicle | 259,200 | |
| Sales | | 2,792,700 |
| Purchases | 1,781,200 | |
| Returns | 13,800 | 8,800 |
| Carriage inwards | 18,000 | |
| Carriage Outwards | 28,080 | |
| Debtors and creditors | 140,400 | 88,200 |
| Discounts | 6,900 | 8,400 |
| Rent and rates | 88,200 | |
| Other operating expenses | 227,808 | |
| Salaries and wages | 530,640 | |
| Cash at bank | 107,376 | |
| Drawings | 51,840 | |
| Stock 1 January 2022 | 95,256 | |
| | 3,543,100 | 3,543,100 |

Additional Information

- Stock at 31 December 2022 is Sh 105,120
- Rates paid in advance Sh 4,050
- Depreciation on: Furniture, Fittings and equipment 10%
Motor vehicle 20%
- Salaries outstanding Sh 48,240

Required

- i.) Statement of profit and loss for the year ended 31 December 2022 (11 Marks)
ii.) Statement of Financial Position as at 31 December 2022 (9 Marks)

QUESTION FOUR (20 MARKS)

- a) What are the importance of income statement to users. (4 Marks)
b) Differentiate between two column cash book and three column cash book (2 Marks)
c) The following relate to cash and bank transactions of Angela Enterprises for October 2022
Oct 1 The cash balance was sh 4,000 debit and bank balance credit Sh 8,000
Oct 1 Borrowed Sh 50,000 from Esther who paid by cheque.
Oct 2 Goods worth Sh 25,000 were bought paying by cheque
Oct 3 Received cheque from Clare to settle an account of Sh 10,000 less 4 % discount.
Oct 4 Sh 11,000 was withdrawn from the bank for business use

- Oct 5 Rent of Sh 10,000 was paid in cash
- Oct 5 Goods worth Sh 35,000 were sold by cash
- Oct 6 Sh 35,000 cash was deposited into the bank account
- Oct 7 Bought office supplies cash Sh 4,000
- Oct 8 Received a cheque of Sh 22,500 Ezra. Discount allowed Sh 750
- Oct 10 Paid a cheque to James to settled an account of 30,000 less discount received 5%.
- Oct 15 Paid Eliud by cheque Sh 12,500.
- Oct 20 Customer bought goods worth Sh 20,000 and deposited money directly in to the bank account
- Oct 25 Wages of Sh 12,000 were paid by cheque

Required

Three column cash book

(14 Marks)

QUESTION FIVE (20 MARKS)

- a) The following were provided for Ashken Enterprises for June 2022
- June 1 Credit sales to Thompson Sh 2,800 Rodriguez Sh 7,400, Barton Sh 7,250
 - June 3 Credit purchases from Potter Sh 7,400, Harris Sh 1,500 and Spencer Sh 3,800
 - June 7 Credit sales to Kelly Sh 4,500, Mendez Sh 3,900 , Lee Sh 12,700
 - June 9 Credit Purchases to Perkins Sh 2,400, Harris Sh 3,800, Miles Sh 10,300
 - June 17 Credit purchases from Harris Sh 3,400, Perkins Sh 3,500, Nixon Sh 4,500
 - June 24 Credit sales to Mohammed Sh 3,700, Kelly Sh 3,500, Green Sh 7,200

Required

- i) Sales Journal & sales ledger sales account only (4 Marks)
 - ii) Purchases Journal & purchases ledger purchases account only (4 Marks)
- b) Explain the following terms used in accounting
- i) Revenue and Expenses (2 Marks)
 - ii) Non-current assets and current assets (2 Marks)
 - iii) Nominal accounts and Real accounts (2 Marks)
- c) Explain the following concepts and conventions used in accounting
- i) Realization Concept (2 Marks)
 - ii) Materiality concept (2 Marks)
 - iii) Prudence or conservatism (2 Marks)