



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, 2018/2019 ACADEMIC YEAR
DIPLOMA IN BUSINESS ADMINISTRATION

DAC 1501 – FINANCIAL ACCOUNTING

Date: 12th April, 2018

Time: 8.30am – 10.30am

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Explain 3 types of ledgers in accounting (3 Marks)
- b) What is the purpose of a cashbook in accounting? (3 Marks)
- c) Explain in terms which an accountant would understand the following accounting terms
- i) Going concern concept (2 Marks)
 - ii) Prudence concept (2 Marks)
 - iii) Materiality concept (2 Marks)
- d) The following trial balance was extracted from the books of S.Simiyu, a sole trader in Mumias town as at 31/12/16

	DR(shs)	CR(shs)
Photocopier machine	25,000	
Bank interest expense	2,000	
Carriage outwards	4,500	
Opening stock (1/1/17)	12,000	
Debtors	22,000	
Carriage inwards	4,000	
Rent income		9,000
Motor vehicle	18,000	
Furniture	14,000	
Purchases	89,000	
Electricity expenses	5,600	
Bank overdraft		13,000
Salary expenses	7,000	
Return inwards	3,500	
Insurance expenses	4,900	
Discount allowed	2,600	
Sales		164,000
Building	32,000	
Returns outwards		6,200
Discount received		2,400
Dividend income		8,500
Creditors		29,000

Drawings	12,600	
Cash	16,000	
2 years bank loan		25,000
Capital		19,100
Office expenses	1,500	
	276,200	276,200

Additional information

1. Value of the closing stock shs 9,400
2. Bad debts to be written off shs4, 000
3. Rent income received in advance shs 2,000
4. Unpaid advertising expense shs 3,000
5. The owner had withdrawn stock items worthshs2,500 and cash shs 1,500for domestic use; however this had not been posted to the ledger accounts.
6. Dividend income receivable shs 1,800
7. Prepaid electricity expenses shs1, 600
8. Accrued salary expenses shs2, 400

Required;

- a) The income statement as at 31/12/2017 (10 Marks)
- b) The statement of financial position as at 31/12/2017 (8 Marks)

QUESTION TWO (20 MARKS)

The following transactions relates to M&M enterprises in the month of November 2016

- 1/11/2016 Started business with Kshs, 50,000 in the bank.
- 2/11/2016 Bought motor van paying by cheque kshs.12, 000.
- 5/11/2016 Bought Fixtures kshs.4, 000 on credit from Office Masters Ltd.
- 8/11/2016 Bought a van on credit from Motor Cars Ltd kshs.8, 000.
- 12/11/2016 Took kshs.1, 000 out of the bank and put it into the cash till.
- 15/11/2016 Bought Fixtures paying by cash kshs.600.
- 19/11/2016 Paid Motor Cars Ltd by cheque kshs.8000.
- 21/11/2016 A loan of kshs.10, 000 cash is received from J Marcus.
- 25/11/2016 Paid kshs.8, 000 of the cash in hand into the bank account.
- 30/11/2016 Bought more Fixtures paying by cheque kshs.3, 000.

Required:

- i) Post the above transactions to the ledger account and balance off the accounts (14 Marks)
- ii) Prepare a trial balance at 30/11/2016 (6 Marks)

QUESTION THREE (20 MARKS)

a) The following transactions relate to Talia's enterprise during the month of March2017

- 1/5/2017 Started a machines business putting kshs 250,000 into bank account.
- 3/5/2017 Bought equipment on credit from Home Supplies kshs 120,000.
- 4/5/2017 Withdrew kshs1, 500 cash from the bank and placed it in the cash box.
- 7/5/2017 Bought a motor van paying by cheque kshs 68,000.
- 10/5/2017 Sold some equipment that was not needed at cost of kshs 11,000 on credit to Peter.
- 21/5/2017 Returned some of the equipment costing kshs.23, 000 to Home Supplies.
- 28/5/2017 Peter pays the firm the amount owing kshs.11, 000 by cheque.
- 30/5/2017 Bought another motor van paying by cheque kshs 43,000.
- 31/5/2017 Paid kshs 97,000 to Home Supplies by cheque.

Required: Show the effect of the above transactions on the Accounting equation, clearly showing the total assets, total liabilities and capital and overall equation. (14 Marks)

- b) Explain the following accounting errors
- i) Error of omission (2 Marks)
 - ii) Error of principle (2 Marks)
 - iii) Error of commission (2 Marks)

QUESTION FOUR (20 MARKS)

- a) Explain advantages of preparing journals in accounting (6 Marks)
- b) Josh started business on 1st December 2015 by investing kshs 200,000 deposited in the bank account and furniture worth kshs 50,000. Transactions during the month were as follows ;

- 1/12/15 Paid rent for December for kshs 14,050 by cheque
- 2/12/15 Drew kshs 40,000 from the bank for office use.
- 8/12/15 Paid kshs 11,600 cash for renovations for premises
- 13/12/15 Bought goods for sale on credit from Mwanzia ltd at kshs 230,000
- 14/12/15 Sold goods on cash basis for kshs 120,000
- 14/12/15 Paid wages of kshs 30,900 by cheque
- 15/12/15 Withdrew kshs 5,330 from the business in cash for personal use
- 15/12/15 Paid electricity for kshs 3,000 cash
- 16/12/15 Deposited kshs 50,000 of the business to the bank account

Required: To journalize the above transactions (14 Marks)

QUESTION FIVE (20 MARKS)

- a) Explain briefly why each of the following parties are interested in the financial statement of a business
- i) The creditors (2 Marks)
 - ii) The shareholders (2 Marks)
 - iii) The government (2 Marks)
- b) On January 1, 2017 Noorani stores cash book showed debit balance of cash kshs 1550 and bank kshs 13,575. During the month of January the following business was transacted

Date(2017)	Transactions
1/Jan	Purchased office computer for cash kshs 750, cash sales of kshs 315
1/Jan	Deposited cash kshs 500 to bank
4/Jan	Received from Hassan cash for kshs 2550 in part payment of his account
6/Jan	Paid by cheque for purchases worth kshs 1005
8/Jan	Deposited into bank cash received from Hassan in full settlement of his account
10/Jan	Received from Khan cash for kshs 790 in full settlement
12/Jan	Sold merchandise to Divas for kshs 1500 who paid by cheque deposited into bank.
16/Jan	Paid Salman kshs 920 by cheque
27/Jan	Paid to Gulzar by cheque kshs 650
30/Jan	Paid salaries by cheque kshs 1750
31/Jan	Deposited into bank the money from Khan

Required; prepare a two column cashbook and balance it. Show opening balance for February (14 Marks)