



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 DEGREE OF BACHELOR OF SCIENCE  
(BUSINESS ADMINISTRATION)

Date: 15<sup>th</sup> August, 2023

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) The auditor of Mwihoko ltd revealed the following errors.
- i) A sale of goods worth sh. 59 to E. George has been omitted from the books of accounts.
  - ii) A purchase of a machine of sh. 2,000 has been debited to purchases account
  - iii) A purchase of goods of sh. 44 from C Simons was entered in error to C. Simpsons
  - iv) A sale of sh. 98 to A. Kamau was entered in the books as shs. 89.
  - v) A discount received account was overcast by sh 200 and wages were overcast by sh 200

Required:

Use journal entries to correct the above errors.

(10 Marks)

- b) Fill the gaps below

| <b>Assets</b> | <b>Liabilities</b> | <b>Capital</b> |
|---------------|--------------------|----------------|
| 1200          | 900                | ----           |
| 10050         | ----               | 80050          |
| -----         | 9885               | 7067           |
| 4478          | -----              | 2345           |

(4 Marks)

- c) The following transactions were recorded in the books of Mr. Kariuki a business man at Gekomba market in month of July 2023

July 2023:

- 1- Balance brought down: Cash 2500  
Bank 7400
- 2- Bought goods by cheque shs 2000.
- 3- Cash sales shs 1800.

- 5---Deposited kshs 2000 into the bank account
- 6- Paid by cheque in each case cash discount received of 3% ; A. Johnshs 1,500, H. Herman shs 3000 and D. Jackson shs 1,400.
- 7- Received by cheque; in each case discount allowed 5%; B, Shaw shs 4000, B. Benard shs 3000 and J. Mathews shs 3200.
- 10—Bought office furniture by cheque shs 3000.
- 15—Cash drawings shs 500.
- 20- Paid A.Topman shs 800 cash less 3%.
- 22—Received cash from A. smith shs 1,500 less 4%.
- 30---Paid wages in cash shs 1000.

Required:

Prepare a cash book, balance it off and bring balance brought forward. (12 Marks)

d) Differentiate between:

i) Debit note and credit note (2 Marks)

ii) Revenue expenditure and capital expenditure (2 Marks)

### **QUESTION TWO (20 MARKS)**

The following trial balance has been extracted from ledger of Nyamache wholesalers as at 30 June 2022

|  | Dr        | Cr        |
|--|-----------|-----------|
|  | Sh        | Sh        |
| Sales                                  |           | 1,863,000 |
| Purchases                              | 1,210,050 |           |
| Rent, rates and insurance              | 89,100    |           |
| Postage and stationery                 | 40,500    |           |
| Advertising                            | 17,955    |           |
| Salaries and wages                     | 356,670   |           |
| Bad debts                              | 12,150    |           |
| Allowances for doubtful debts          |           | 4,050     |
| Accounts receivable                    | 163,350   |           |
| Accounts payable                       |           | 87,750    |
| Cash in hand                           | 9,720     |           |
| Cash at bank                           | 50,205    |           |
| Drawings                               | 72,450    |           |
| Inventory 1 July 2021                  | 160,650   |           |
| Motor vehicle                          |           |           |
| • at cost                              | 700,000   |           |
| • Accumulated depreciation 1 July 2021 |           | 280,000   |
| Furniture and Equipment                |           |           |
| • At Cost                              | 200,000   |           |
| • Accumulated depreciation 1 July 2021 |           | 38,00     |

|         |                  |                  |
|---------|------------------|------------------|
|         |                  | 0                |
| Capital |                  | 810,000          |
|         | <b>3,082,800</b> | <b>3,082,800</b> |

**Additional Information**

- i) Rent is accrued Sh 6,400
- ii) Rates have been prepaid Sh 8,100
- iii) Equipment is depreciated at 10% p. a on reducing balance basis
- iv) Motor vehicle is depreciated at 20% p.a straight line
- v) Allowance for doubtful debts is to be provided at 3% of receivable
- vi) Inventory at 30 June 2021 was Sh 182,250

**Required**

- i) Income statement for the year ended 30 June 2022 (10 Marks)
- ii) Statement of financial position as at 30 June 2022 (10 Marks)

**QUESTION THREE (20 MARKS)**

- a) Identify and explain three main differences between cash book and bank statement. (6 Marks)
- b) During the year ended 2022 the bank statement of Aby Enterprises showed a balance of Sh 862.200 while the cash book showed a debit balance of Sh 895,000. On further investigation the following was discovered.
  - The bank statement had bank charges worth Sh. 5,000, Interest charges of Sh.14,500 and direct debits of Sh. 35,000 which not posted into the cash book
  - Cheques given to suppliers worth Sh 42,500 which had not been presented to the bank.
  - Cheques received from customers worth Sh 21,700 which had not been banked.
  - A cheque received from the customer of Sh 9,800 had been posted in the cash book as Sh 8,900. The correct amount appears in the bank statement.

**Required**

- i) Updated cash book (4 Marks)
- ii) Bank reconciliation statement (4 Marks)
- c) Highlight the errors that may not make the Trial balance not to balance (6 Marks)

**QUESTION FOUR (20 MARKS)**

- a) Highlight the qualities of a good accounting information. (4 Marks)
- b) Write up the following transactions in the books of S Kamau

2013

- March 1 Started business with cash Sh.100,000
- “ 2 Bought goods on credit from D. Makori Sh.29,600.
- “-----2 Cash sales shs 15,000.
- “ 3 Paid rent by cash Sh.2,800.
- “ 4 Paid Sh.100,000 of the cash of the firm into a bank account.
- “ 5 Sold goods on credit to J.Barasa Sh.5,400.
- “ 7 Bought stationery Sh.1,500 paying by cheque.
- “ 11 Cash sales Sh.4,900.

- “ 14 Goods returned by us to D. Makori Sh.1,700.
- “ 17 Sold goods on credit to K. Njeru Sh.2,900.
- “ 20 Paid for repairs to the building by cash Sh.1,800.
- “ 22 J Barasa returned goods to us Sh.1,400
- “ 27 Paid D. Makori by cheque Sh.27,900.
- “ 28 Cash purchases Sh.12,500.
- “ 29 Bought a motor vehicle paying by cheque Sh.39,500.
- “ 30 Paid motor expenses in cash Sh.1,500
- “ 31 Bought fixtures Sh.12,000 on credit from Ruai Ltd.

Required

- i) Draw the ledger accounts and balance them off (10 Marks)
- ii) Draw a trial balance (6 Marks)

### **QUESTION FIVE (20MARKS)**

- a) A cashier in the firm starts with shs 2000 in the month of March 2019 (float cash). In the following week the following payments are made.

**March 2019:**

- 1- Bought stamps for shs 80.
- 2- Paid bus fare shs 120
- 3- Cleaning materials shs240
- 4- Bought fuel shs150
- 5- Cleaning wages shs 300
- 6- Bought stamps shs 200
- 7- Paid L. Thomson (creditor) shs400
- 8- Fuel costs shs150

On 8<sup>th</sup> of March the cashier requested for a refund of the cash spent and this amount was reimbursed back.

**Required:**

Prepare a petty cash book showing the balances to be carried forward. (8 Marks)

- b) Mr. Kamau has the following assets and liabilities as at 31/4/2020.

|               |       |
|---------------|-------|
| Creditors     | 15800 |
| Equipment     | 46000 |
| Motor vehicle | 25160 |
| Stock         | 24600 |
| Debtors       | 23080 |
| Cash at bank  | 29120 |
| Cash in hand  | 160   |

During the first week of May 2020, Awour ;

- i) Bought extra equipment on credit for shs 5520
- ii) Bought extra stock by cheque 2280.
- iii) Paid creditors by cheque shs 3160.
- iv) Debtors paid 3360 by cheque and shs 240 by cash.
- v) Awuor put extra shs 1000 cash as capital.

Required:

- i) Determine the capital as at 31<sup>st</sup> April 2020 (2 Marks)
- ii) Calculate the balances of each assets , liabilities and capital as at the end of first week of May (10 Marks)