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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR**  
**FOR THE CERTIFICATE IN PROCUREMENT AND SUPPLY CHAIN**  
**MANAGEMENT**

**CPS 021: FUNDAMENTALS OF ACCOUNTING**

Date: 13<sup>TH</sup> DECEMBER 2023

Time: 2:30PM-4:30PM

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) Define the term accounting and state **FIVE** of its functions (6 Marks)  
b) Briefly highlight **FOUR** purposes of journals in accounting (4 Marks)  
c) Dorine's balances as at 31<sup>st</sup> December 2022 were as follows:

<b>Particulars</b>	<b>Dr.</b>	<b>Cr.</b>
Cash in hand	2400	
Cash at bank	22,000	
Stock(1 <sup>st</sup> January 2022)	42,000	
Debtors	16,000	
Creditors		20,000
Return Inwards	1,000	
Sales		112,000
Purchases	41,000	
capital		29,800
Salaries	8,000	
Water & Electricity	1,200	
Postage Expenses	400	
Drawings	1,800	
Furniture & fittings	15,000	
Motor vehicle	70,000	
Bank Loan		60,000
Rent Received		2,400
Office Rent	3,400	
	<b>224,200</b>	<b>224,200</b>

The closing stock as at 31<sup>st</sup> December 2022 was Sh. 27,000

**Required:**

- i) Prepare Income statement for the year ended 31<sup>st</sup> December 2022 (10 Marks)  
ii) Prepare Statement of financial position as at 31<sup>st</sup> December 2022 (10 Marks)

**QUESTION TWO (20 MARKS)**

- a) Briefly explain **FIVE** characteristics of accounting information to be applied by an accountant while recording transactions in Kenya today. (5 Marks)  
b) The following information is provided for Akili Moto Ltd. for the month of April 2023. Calculate the capital of the business using accounting equation. (4 Marks)

Items	Shs
Motor vehicle	575,000
Creditors	207,000
Loan	230,000
Debtors	322,000
Furniture and Equipment	450,000
Cash in hand	11,000
Cash at Bank	240,000
Stock	242,000

- a) Kamene commenced business on 1st January, 2023 with a capital of Sh.100,000 in cash. On the same date he opened the bank account in KCB Bank and deposited Sh.20,000. During the month of January 2023, the following transactions took place:

Jan 1: Bought goods for cash Sh.70,000  
 15: Sold goods for cash 9,000  
 17: Stationery bill paid by cheque 2,000  
 22: Bought motor vehicle for Sh. 50,000 from AB Ltd.  
 25: Sold goods for cash 40,000  
 31: Paid rent by cash 2,000  
 Paid AB Ltd by cash Sh. 50,000  
 Withdrew cash personal use 5,000

**Required:**

- i) Record ledger entries for the transactions (8 Marks)  
 ii) Extract a trial balance (3 Marks)

**QUESTION THREE (20 MARKS)**

- a) Felicia started a business on 1<sup>st</sup> June 2023 with cash 50,000. The following transactions took place during the month of June.

1: Opened a bank account with KCB Bank and deposited 45,000.  
 2: Bought goods for cash 1,000.  
 3: Bought Furniture and paid by cheque 20,000.  
 5: Bought goods for 5,000 and paid by cheque.  
 7: Sold goods for cash 200.  
 10: Paid expenses 500 in cash.  
 15: Sold goods and received a cheque for 3,500.  
 16: Paid cash into bank 2,000.  
 17: Bought goods for cash 1,500.  
 20: Paid expenses for 1,000 in cash.  
 22: Cash cheque for office use 1,500.  
 30: Paid expenses 800 in cash.

**Required:**

- Write up a two column cashbook and balance it off. (10 Marks)  
 b) Financial statements are prepared for users to make economic decisions. Identify **THREE** users and explain how financial statements are useful to them. (6 Marks)  
 c) Highlight **FOUR** scopes of accounting that can be handle by accounts specialists in Kenya today. (4 Marks)

**QUESTION FOUR (20 MARKS)**

The following information was extracted from the books of Wambui Ltd. for the month of May 2023.  
May 2023

- 1: Credit purchases: Brenda Sh. 2,500, Mackenzie Sh. 1,450, Dan Sh. 3,550
- 5: Credit sales: David Sh. 4,100, White Sh. 3,400, Black Sh. 2,700
- 7: Credit purchases: Thomas Sh. 1,470, Brenda Sh. 1,000, Mackenzie Sh. 1,900
- 9: Goods returned by us to: Brenda Sh. 350, Mackenzie Sh. 500
- 10: Goods returned to us by: White Sh. 250, Black Sh. 300
- 12: Credit purchases: Thomas Sh. 1,860, Brenda Sh. 2,500, Mackenzie Sh. 800
- 15: Credit sales: White Sh. 1,500, David Sh. 2,200
- 18: Goods returned by us to: Thomas Sh. 200, Mackenzie Sh. 100
- 25: Goods returned to us by: White Sh.180

**Required:**

Prepare the following journals;

- i) Purchases journal & its ledger account (5 Marks)
- ii) Sales journal & its ledger account (5 Marks)
- iii) Returns inwards Journal & its ledger account (5 Marks)
- iv) Returns outward journal its ledger account (5 Marks)

**QUESTION FIVE (20 MARKS)**

- a) Define the following accounting principles used in preparation of financial statements;
  - i) Going concern concept (2 Marks)
  - ii) Separate business entity concept (2 Marks)
  - iii) Matching concept (2 Marks)
  - iv) Convention of consistency (2 Marks)
  - v) Accrual concept (2 Marks)
- b) Differentiate between;
  - i) Receipt and Invoice. (2 Marks)
  - ii) Carriage Inwards and Carriage outwards. (2 Marks)
  - iii) Journals and ledgers (2 Marks)
- c) Define a cashbook and briefly explain at least TWO types. (4 Marks)