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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR**  
**FOR THE DIPLOMA IN BUSINESS INFORMATION TECHNOLOGY**  
**DAC 1501- FINANCIAL ACCOUNTING**

Date: 14<sup>th</sup> April, 2022  
Time: 11.30 am – 1.30pm

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) Explain four qualitative characteristics of accounting information (4 Marks)
- b) The following errors were revealed in the books of Nyota enterprises for the year ended 31 December 2020
- i) A machine purchased for sh 1200 has been debited to purchases account.
  - ii) Goods purchased from A. Burton for shs 150 were credited to the account of G. Burton.
  - iii) An invoice from A. Smith for shs 270 was omitted.
  - iv) Goods sold to A. White for shs 175 was entered in the sale book as 157.
  - v) The salaries account was overcasted by shs 35 and sales account has also been overcasted by shs 35.

**Required:**

Use journals to correct the above errors.

(10 Marks)

- c) The following transactions were recorded in the month of May 2019.

**May 2019:**

- 1<sup>st</sup> Opened a business with shs 20000 in the bank.
- 2<sup>nd</sup> Bought premises by cheque shs 8000
- 5<sup>th</sup> Bought motor van on credit from J. Smith 2000.
- 7<sup>th</sup> Bought goods from A. Williams shs 800 by cheque.
- 13<sup>th</sup> Sold goods for cash 600.
- 15<sup>th</sup> Sold goods on credit to Roberts shs 700.
- 16<sup>th</sup> Received a loan from in cash 12000.
- 17<sup>th</sup> Paid by cheque to J. Smith 2000.
- 20<sup>th</sup> paid wages and salaries 1000.
- 21<sup>st</sup> Received a cheque from M. Roberts shs 700.
- 30<sup>th</sup> Paid sundry expenses by cheque shs 100.

**Required:**

Enter the above transactions in the ledger accounts and balance them off

(10Marks)

- d) Explain the following accounting concepts.

- i) Materiality (2Marks)
- ii) Consistency (2Marks)
- iii) Prudence (2Marks)

**QUESTION TWO (20 MARKS)**

- a) A cash book is both a ledger and book of original entry. Discuss. (4 Marks)
- b) The accounts clerk of Mwioko enterprises recorded the following transactions for the month of March 2018.  
March 2018:

- 1<sup>st</sup> Balances brought forward: Cash sh 230  
Bank shs 4756
- 2<sup>nd</sup> The following paid their accounts by cheque, in each case deducting 5% discount; R. Burton 140, E. Taylor 220, R. Harris 800.
- 4<sup>th</sup> Paid rent by cheque shs 120.
- 6<sup>th</sup> J. Cotton lent us shs 1000 paying by cheque.
- 8<sup>th</sup> We paid the following accounts by cheque in each case deducting a 2.5% cash discount; N. Black shs 360, P. Tower shs 480, C. ROWSE 300.
- 10<sup>th</sup> Paid motor expenses in cash 44.
- 12<sup>th</sup> H. Harris paid his account of shs 77, by cheque shs 74, deducting shs 3 cash discount.
- 15<sup>th</sup> Paid wages in cash shs 160.
- 18<sup>th</sup> The following paid their accounts by cheque, in each case deducting 5% cash discount; C. Winston shs 260, R. Wilson shs 340, H. Winter shs 460.
- 21<sup>st</sup> Withdrew cash from the bank shs 350 for business use.
- 24<sup>th</sup> Cash drawings shs 120.
- 25<sup>th</sup> Paid T. Briers his account shs 140, by cash shs 133 having deducted shs 7 cash discount.
- 29<sup>th</sup> Bought fixtures paying by cheque shs 650.
- 31<sup>st</sup> Received commission by cheque shs 88.

**Required:** Prepare a three column cash book and balance it off. (12 Marks)

- c) Outline four users of accounting information. (4Marks)

**QUESTION THREE (20 MARKS)**

- a) The following trial balance was extracted from the books of Red colours Ltd for the year ended 28<sup>th</sup> February 2017.

CR	DR
Purchases/ sales	92,800
157,165	
Cash at bank	41,000
Cash in hand	324
Capital	
11,400	
Drawings	17,100
Office furniture	2,900
Rent	3,400
Discounts	820
160	
Debtors/ creditors	12,316
5,245	
Stock (1 <sup>st</sup> March 2016)	4,120
Provision for bad debts ( 1 <sup>st</sup> March 2016)	
405	
Motor van	3,750
Motor van running costs	615
Bad debts written off	730
<b><u>174,375</u></b>	<b><u>174,375</u></b>

Additional information

- i) Closing stock 2400
- ii) Wages and salaries accrued 340
- iii) Rent prepaid 230
- iv) Motor van running cost owing 72
- v) Increase provision for bad debts by 91
- vi) Provide for depreciation as follows:
  - Motor van 1250
  - Office furniture 38

**Required:**

- i) Prepare income statement for the year ended 28<sup>th</sup> February 2017 (10Marks)
- ii) Prepare a statement of financial position as at that date. (10Marks)

**QUESTION FOUR (20 MARKS)**

- a) You are required to enter up the sales journal from the below details and post the items to relevant accounts in the sales ledger. (10Marks)

**March 2019:**

- 1- Credit sales to J.Gordon 1870
- 2- Credit sales to G. Abrahams 1660.
- 3- Credit sales to V. White 120
- 4- Credit sales to J.Gordon 550
- 5- Credit sales to F. Williams 2890
- 6- Credit sales to U. Richards 660
- 7- Credit sales to V. Woods 280
- 8- Credit sales to L. Simes 780

- b) Explain the term bank reconciliation and state the reasons for its preparation (6Marks)
- c) Differentiate between capital expenditure and revenue expenditure (4Marks)

**QUESTION FIVE (20 MARKS)**

- a) D. Moody has the following assets and liabilities as at 31<sup>st</sup> April 2020.

Creditors	15800
Equipment	46000
Motor vehicle	25160
Stock	24600
Debtors	23080
Bank	29180
Cash	160

During the first week of May 2020 Moody;

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

**Required:**

- i) Determine the capital as at 1<sup>st</sup> May 2020 (5Marks)
  - ii) Show the changes in assets, liabilities, and capital as end of the first week of May 2020. (10Marks)
- b) Explain what makes information in financial statements relevant to use. (5Marks)