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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2020/2021 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

Date: 16th December, 2020
Time: 2.30pm – 4.30pm

KBA 2107 - ACCOUNTING FOR BUSINESS

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Give two examples of situations in which there is a clash or inconsistency between two accounting concepts and explain how the inconsistency should be resolved. (6 Marks)
- b) You are given the following transactions for bidii limited for the month March 2016:
2016:
March
1: Started business with shs 16,000 in the bank.
2: Bought a motor van paying by cheque shs 6400.
5: Bought office fixtures shs 900 on credit from Old Ltd.
8: Bought motor van on credit from carton cars ltd of shs 7100.
12: Took cash shs 180 out of the bank and put it into the cash till.
15: Bought office fixtures paying by cash shs 120.
19: Paid Carton cars ltd by cheque for shs 7100.
21: A loan of shs 500 cash is received from B. Berry.
25: Paid shs 400 of the cash in hand into the bank.
30: Bought more office fixtures paying by cheque Shs 480.
- Required;
- i) Enter the above transactions in the ledger accounts for the month of March 2016. (10 Marks)
- ii) Draw a trial balance as at 31 March 2016. (6 Marks)
- c) One of the requirements of financial statements is that they should be free from material error. Suggest safeguards which may exist inside or outside a company to ensure that financial statement are free from material error. (8 Marks)

QUESTION TWO (20 MARKS)

- a) Draw journals to rectify the below mentioned errors.
- i) Furniture purchased for shs 250 was debited to purchases account.
 - ii) A sum of shs 100 paid to Ram was debited to Shryam's account.
 - iii) A bill receivable of shs 500 received from Ram has been omitted to be entered in books of account.
 - iv) A sale of shs 98 to D.Kamau was entered as shs 89 in the books.
 - v) A purchase of goods of shs 44 from C.Simons was entered in error in C. Simpsons account. (10 Marks)
- b) A cashbook is both a ledger and a book of original entry. Discuss. (4 Marks)
- c) Explain the following terms;
- i) Materiality (2 Marks)
 - ii) Objectivity (2 Marks)
 - iii) Reliability (2 Marks)

QUESTION THREE (20 MARKS)

On 1st January 2004, Joel Mwendwa started a retail business with shs 270,000 in cash, a second hand car worth shs 252,000 and an office desk valued at shs 18,000.

The following transactions were recorded during the month of January.

January

- 1: Opened bank current account with shs 180,000 Cash.
- 3: Bought goods for resale and paid by cheque shs 67,500.
- 4: Cash sales shs 43,200, paid wages 3375 in cash.
- 5: Sold goods to Alfred Mwangi on credit shs 36000.
- 8: Bought goods worth shs 63000 on credit from Thika wholesalers, less 10% trade discount.
- 11: Cash sales shs 18,000.
- 11: Paid cash into the bank shs 13,500.
- 13: Cash purchases shs 40,500.
- 15: Sold goods on credit to Malava Traders worth Shs 72,000 less 10% trade discount.
- 17: Received cash shs 9000 from Alfred Mwangi on account.
- 18: Sold goods on credit to Kitui traders worth shs 78,300.
- 19: Kitui traders returned goods worth shs 400 for being damaged and were given a credit note.
- 20: Returned gods to Thika wholesaler's shs 900 and received a credit note.
- 20: Drew cheque for office use shs 9,000.
- 21: Cash purchases shs 34,920.

- 21: Purchased goods on credit from Winam Enterprises shs 81,000.
- 22: Returned goods to Winam enterprises worth Shs 4,500 and received a credit note.
- 24: Cash sales 27,000, banked shs 18,000.
- 25: Purchased duplicating paper, pens, pencils, envelopes for office, all valued at shs 7,200 cash.
- 26: Alfred Mwangi sent a cheque in full settlement of his account after having deducted 5% cash discount.
- 27: Settled Thika wholesalers account by cheque Less shs 990 cash discount.
- 28: Paid electricity bill shs 1,125 in cash.
- 29: Settled water bill by cheque 1,350.
- 30: Drew cheque for personal use shs 9000.
- 30: Received cash from Kitui traders shs 13,500 on account.
- 30: Paid winam enterprises shs 36,000 on account by cheque.
- 31: Paid Motor repairs expenses shs 15,300 in cash.
- 31: Banked cash shs 45,000.
- 31: Bought two Olympia type writers for office use Shs 81,000 by cheque.

Required:

Prepare a three column cash book and balance it off. (20 Marks)

QUESTION FOUR (20 MARKS)

- a) Explain the term bank reconciliation. (2 Marks)
- b) Discuss the importance of a bank reconciliation statement. (6 Marks)
- c) The trial balance below belongs Nyota Ltd.

Nyota Ltd		
Trial balance as at 31st December 2019.		
Details	Dr Shs	Cr shs
Capital		20,000
Debtors	5,400	
Drawings	1,800	
Machinery	7,000	
Creditors		2,800
Wages	10,000	
Purchases	19,000	
Opening stock	4,000	
Bank balance	3,000	
Carriage charges	300	
Salaries	400	
Rent and taxes	900	
Sales		29,000
	51,800	51,800

Additional information:

- i) Closing stock shs 1,200.
- ii) Outstanding rent and taxes shs 100.
- iii) Charge depreciation on machinery at 10%.
- iv) Wages prepaid shs 400.

Required: Prepare;

- i) Income statement for the year ended 31st December 2019 (6 Marks)
- ii) Statement of financial position as at that date (6 Marks)

QUESTION FIVE (20 MARKS)

The following transactions belongs to Parklands High School for the month of September 2020.

September 1: The head teacher gave shs 300,000 as float to the Petty cashier.

	Shs(000)
2: Petrol – school bus	16
3: Green- travelling expenses staff	23
3: Postage	12
4: D. Davies- travelling expenses staff	32
7: Cleaning expenses	11
9: Petrol – school bus	21
12: K. Jones – travelling expenses staff	13
14: Petrol – school bus	23
15: L. Black –travelling expenses staff	5
16: Cleaning expenses	11
18: Petrol – school bus	22
20: postage	12
22: Cleaning expenses	11
24: G. Wood – travelling expenses staff	7
27: Settlement of C. Brown account in Purchases ledger	13
29: Postage	12
30: The head teacher reimburses the petty Cashier the amount spent in the month.	

Required:

- a) Prepare a petty cashbook (14 Marks)
- b) Explain what makes information in financial statements relevant to use. (6 Marks)