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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2018/2019 ACADEMIC YEAR
DIPLOMA IN BUSINESS INFORMATION TECHNOLOGY

DAC 1501 –FINANCIAL ACCOUNTING

Date: 16th April, 2018
Time: 2.30pm –4.30pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Explain the meaning of the term accounting concepts. (4 Marks)
- b) Differentiate between cost accounting and financial accounting. (5 Marks)
- c) State whether each of the following statements describe an asset, a liability, drawings or capital
- i) A lady started a new business venture bringing in Kshs200000 to start it off. (3 Marks)
 - ii) The lady got an extra Shs50000 from her aunt to help boost the business. (3 Marks)
 - iii) The lady approached her SACCO which gave her Shs100000 repayable over a period of three years. (3 Marks)
 - iv) The lady bought goods worth shs40000 promising to pay in the next one month. (3 Marks)
 - v) The lady sold goods worth Shs15000 to one of her friends agreeing that the friend would pay up in three weeks' time. (3 Marks)
 - vi) The lady took goods worth Shs10000 for own use at home. (3 Marks)
 - vii) The lady bought an office machine on hire purchase to be settled over a period of 30 months. The machine was sold at Shs25000. (3 Marks)

QUESTION TWO (20 MARKS)

- a) Explain the purpose of a bank reconciliation statement. (5 Marks)
- b) Differentiate between returns inwards and returns outwards. (5 Marks)
- c) Explain any five reasons why the trial balance may have errors even when it is balanced. (10 Marks)

QUESTION THREE (20 MARKS)

For each of the following transactions indicate the effect on different accounts using ledger

- a) An entrepreneur started a business depositing Shs2, 000000 in a business bank account to help him commence business. (4 Marks)

- b) The businessman got a loan of Shs300, 000 from Kenya Industrial Estates for use in the business. (4 Marks)
- c) The business bought a computer for use in the business.Kshs250000. (4 Marks)
- d) The businessman paid shs200, 000 to a landlord. Out of this figure shs150, 000 was three months' rent and the balance was a deposit for the premises. The deposit is refundable at the point of exit. (8 Marks)

QUESTION FOUR (20 MARKS)

- a) Discuss any six users of accounting information bringing out how they use the information. (12 Marks)
- b) Describe the imprest system. (5 Marks)
- c) Explain the meaning of IOU. (3 Marks)

QUESTION FIVE (20 MARKS)

- a) Differentiate between a balance sheet and a trial balance. (5 Marks)
- b) Explain the reason why a balance sheet is drawn “as at a certain date” and the income statement “for the period ended”. (5 Marks)
- c) Explain a purpose of the third column in a three column cash book. (5 Marks)
- d) Liquidity is more important to a business than profitability. Briefly explain why this is so or why it is not so. (5 Marks)