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**KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR**  
**FIRST YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE CERTIFICATE IN HUMAN RESOURCE MANAGEMENT**  
**CHR 202: FUNDAMENTALS OF ACCOUNTING**

Date:17<sup>TH</sup> APRIL 2024  
Time: 8:30AM-10:30AM

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) Accounting is a process involving several stakeholders in the business world. Define the term accounting and state **FIVE** of its functions. **(6 Marks)**
- b) Briefly highlight **FOUR** purposes of journals in accounting **(4 Marks)**
- c) Muindi Mbingu started a business on 1<sup>st</sup> November 2023 with cash Sh.50, 000. The following transactions took place during the month of November.
- 1: Opened a bank account with Equity Bank and deposited Sh.45, 000.
  - 2: Purchased goods for cash Sh.1,000.
  - 3: Purchased machinery and paid by cheque Sh.20,000.
  - 5: Purchased goods for Sh.5,000 and paid by cheque.
  - 7: Sold goods for cash Sh.200.
  - 10: Paid expenses Sh.500 in cash.
  - 15: Sold goods and received a cheque for Sh.3,500.
  - 16: Paid cash into bank Sh.2,000.
  - 17: Purchased goods for cash Sh.1,500.
  - 20: Paid expenses for Sh.1,000 in cash.
  - 22: Cash cheque for office use Sh.1,500.
  - 30: Paid expenses Sh.800 in cash.

**Required:**

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

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

July 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)**

Daniella's balances as at 31<sup>st</sup> December 2023 were as follows:

Particulars	Dr.	Cr.
Cash in hand	2400	
Cash at bank	22,000	
Stock(1 <sup>st</sup> January 2023)	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 2023 was Sh. 27,000

**Required;**

- i. Prepare income statement for the year ended 31<sup>st</sup> December 2023. (10 Marks)
- ii. Prepare statement of financial position as at 31<sup>st</sup> December 2023. (10 Marks)

**QUESTION FOUR (20 MARKS)**

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

October 2023

1:	Credit purchases:	Brenda Sh. 2,500, Maureen Sh. 1,450, Dan Sh. 3,550
5:	Credit sales:	David Sh. 4,100, Tracy Sh. 3,400, Black Sh. 2,700
7:	Credit purchases:	Thomas Sh. 1,470, Brenda Sh. 1,000, Maureen Sh. 1,900
9:	Goods returned by us to:	Brenda Sh. 350, Maureen Sh. 500
10:	Goods returned to us by:	Tracy Sh. 250, Black Sh. 300
12:	Credit purchases:	Thomas Sh. 1,860, Brenda Sh. 2,500, Maureen Sh. 800
15:	Credit sales:	Tracy Sh. 1,500, David Sh. 2,200
18:	Goods returned by us to:	Thomas Sh. 200, Maureen Sh. 100
25:	Goods returned to us by:	Tracy 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. Dual aspect concept (2 Marks)
- ii. Separate business entity concept (2 Marks)
- iii. Matching concept (2 Marks)
- iv. Convention of conservatism (2 Marks)
- v. Accounting period concept (2 Marks)

b) Differentiate between:

- i. Receipt and Invoice. (2 Marks)
- ii. Carriage Inwards and Carriage outwards. (2 Marks)
- iii. Liquidity and solvency (2 Marks)

c) Highlight four characteristics of a balance sheet. (4 Marks)