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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FOR THE CERTIFICATE IN BUSINESS ADMINISTRATION
CBM 021- FUNDAMENTALS OF ACCOUNTING

Date: 14th December 2022
Time: 2:30pm-4:30pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Explain the concept of double entry and highlight three rules of double entry. (6 Marks)
- b) Jamila's trial balance as at 31st July 2022 was as follows:

	Dr. (Sh.)	Cr. (Sh.)
Cash in hand	295	
Debtors	12,300	
Purchases	92,100	
Return inward/outward	550	307
Carriage inwards	215	
Creditors		9,370
Stock(1st June 2021)	23,910	
Motor vehicles	4,100	
Office Equipment	6,250	
Carriage outwards	309	
Sales		130,900
Capital		22,535
Cash at bank	3,115	
Motor Expenses	1,630	
Insurance	492	
Office Expenses	1,377	
General expenses	284	
Rent	2,970	
Telephone Charges	405	
Salaries & Wages	12,810	
	163,112	163,112

Additional information:

The closing stock as at 31st July 2022 was valued at Sh. 27,475

Required:

- i) Prepare Income statement as at 31st July 2022 (10 Marks)
- ii) Prepare statement of financial position as 31st July 2022 (10 Marks)
- c) Highlight four purposes of journals in accounting (4 Marks)

QUESTION TWO (20 MARKS)

- a) Define the term accounting and state five of users of accounting information. (5 Marks)
- b) The business records of Audrey showed the following for the month of August 2022:
- August 1: Audrey started business with Sh. 50,000 in the bank
- August 2: Received a loan of Sh. 30,000 from Samuel
- August 3: Bought machinery for cheque Sh.20, 000
- August 4: Bought goods from David for Sh.5, 000
- August 5: Bought goods for Sh. 8,000 by cheque
- August 7: Sold goods for cash Sh. 10,000
- August 9: Paid general expenses by cash Sh. 900
- August 10: Paid wages Sh. 1,500
- i) Write up the accounts to record the following transactions (10 Marks)
- ii) Balance off the accounts (2 Marks)
- iii) Extract the trial balance (3 Marks)

QUESTION THREE (20 MARKS)

- a) Briefly explain the two major types of capital. (4 Marks)
- b) The following information was extracted from the books of Ajab Ltd for month of October 2021.
- October 1:** Balances brought forward:
Cash in hand Sh. 1,450
Cash at bank Sh. 28,730
- October 2:** Bought goods and paid by cheque Sh. 2,800
- October 3:** Bought goods from Njeri Sh. 5,700
- October 5:** Sold goods for cash Sh. 3,700
- October 6:** Cash paid into bank Sh. 3,000
- October 7:** Paid rent by cheque Sh. 1,000
- October 10:** Paid postage in cash Sh. 150
- October 15:** Paid Njeri the full amount due by cheque
- October 17:** Sold goods to Kibet Sh. 2,500
- October 19:** Cashed Cheque for office use Sh. 1,000
- October 20:** Cash drawings Sh. 500
- October 30:** Paid wages by cheque Sh.700

Required:

- Prepare a two-column cash book and balance it off at the end of the month. (10 Marks)
- c) Differentiate the following terms:
- i) Credit note and debit note (2 Marks)
- ii) Return inwards and return outwards (2 Marks)
- iii) Receipt and invoice (2 Marks)

QUESTION FOUR (20 MARKS)

- a) The following information was extracted from Joan's Books;
- | | | | |
|-------------------|--------|--------------|-------|
| Motor vehicles | 5,000 | Stock | 3,000 |
| Capital | 15,000 | Cash at Bank | 2,000 |
| Plant & Machinery | 6,000 | Creditors | 1,000 |
| Loan from John | 4,000 | Debtors | 4,000 |
- i) Classify the above items into Assets, liabilities and Capital. (5 Marks)
- ii) Prove the accounting equation. (3 Marks)
- b) The following information was extracted from the books of Jeff for the month of July 2021.
- July 1:** Credit purchases from Benjamin Sh. 15,000
- July 2:** Credit purchases from:
Kingston Sh. 3,000, Martin Sh. 3,500 & Charles Sh. 1,500
- July 8:** Credit purchases from:
Benjamin Sh. 5,000 & Martin Sh. 3,200
- July 9:** Credit sales to: Peter Sh. 5,800, John 6,700 & Kariuki Sh. 2,500
- July 12:** Goods returned to:
Kingston Sh. 500 & Charles Sh. 350
- July 15:** Credit Purchases from:
Kingston Sh. 3,800 & Martin Sh. 2,500
- July 17:** Credit sales to: Apple Sh. 7,500, John 4,500 & Peter Sh. 1,700
- July 19:** Goods returned by: Peter Sh. 500 & Kariuki Sh. 230
- July 20:** Goods returned to:
Benjamin Sh 300 & Martin Sh. 250
- July 21:** Goods returned by: John Sh. 350 & Apple Sh. 400
- July 25:** Credit purchases from Kingston Sh. 2,900

Required:

- i) Prepare purchases journal (4 Marks)
- ii) Prepare Return Outward Journal (2 Marks)
- iii) Prepare Sales Journal (4 Marks)
- iv) Prepare Return Inward Journal (2 Marks)

QUESTION FIVE (20 MARKS)

- a) Explain clearly, in terms which a non-accountant would understand, the following accounting terms:
- i) The going concern concept (2 Marks)
- ii) Separate business entity (2 Marks)
- iii) Matching concept (2 Marks)
- iv) Convention of conservatism (2 Marks)
- v) Accounting period concept (2 Marks)
- b) Discuss the components of a balance sheet with the help of its classifications (5 Marks)
- c) Briefly explain five reasons as to why accountants require accounting standards (5 Marks)