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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATIONS, 2022/2023 ACADEMIC YEAR**  
**FIRST YEAR, FIRST SEMESTER END OF SEMESTER EXAMINATIONS**  
**DIPLOMA IN PROCUREMENT AND SUPPLIES MANAGEMENT**  
**DAC 1501-FINANCIAL ACCOUNTING**

Date: 29<sup>th</sup> July 2022  
Time: 8.30am-10.30am

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) Differentiate between capital and revenue (2 Marks)  
b) The following trial balance was extracted from the books of Nyakio Traders on 31<sup>st</sup> December 2021.

	<b>Dr. Sh.</b>	<b>Cr. Sh.</b>
Capital		13,000
Drawings	2,700	
Debtors and Creditors	2,535	2,250
Stock (1/1/2021)	3,961	
Purchases and sales	14,500	22,400
Returns	539	462
Wages & Salaries	3,165	
Carriage Inwards	470	
Discounts	354	330
Advertising	313	
Bad Debts	110	
General Expenses	510	
Rent & Rates	275	
Cash in Hand	80	
Cash at Bank	330	
Motor Vehicles	1,100	
Premises	7,500	
	<b><u>38,442</u></b>	<b><u>38,442</u></b>

**Additional information:**

1. Wages due Sh. 54
2. Rent & Rates paid in advance Sh. 65
3. Motor Vehicles to be depreciated by 20%
4. Stock at 31<sup>st</sup> December was valued at Sh. 4,126

**Required:**

- i. Prepare income statement for the year ended 31<sup>st</sup> December 2021 (10 Marks)
- ii. Prepare Statement of financial position as at 31<sup>st</sup> December 2021 (10 Marks)
- c) The following information was extracted from the books of Benin Ltd for the month of July 2021.

**July 1:** Purchased Motor vehicle on credit from General Motors for Sh. 75,000

**July 2:** Purchased Machinery on credit for Sh. 100,000 from Machinery Ltd.

**July 5:** Purchased office furniture from Furniture Ltd. For Sh. 25,000

**July 7:** Sold part of furniture unsuitable to Simran for Sh. 5,000.

**Required:**

Prepare a general journal to the record the above transactions (8 Marks)

**QUESTION TWO (20 MARKS)**

- a) The following information was extracted from the books of Kimani for month of May 2021

<b>May 1:</b>	Balances brought forward: Cash in hand Sh. 1,450 Cash at bank Sh. 28,730
<b>May 2:</b>	Bought goods and paid by cheque Sh. 2,800
<b>May 3:</b>	Bought goods from Njuno Sh. 5,700
<b>May 5:</b>	Sold goods for cash Sh. 3,700
<b>May 6:</b>	Cash paid into bank Sh. 3,000
<b>May 7:</b>	Paid rent by cheque Sh. 1,000
<b>May 10:</b>	Paid postage in cash Sh. 150
<b>May 15:</b>	Paid Njuno the full amount due by cheque
<b>May 17:</b>	Sold goods to Kibet Sh. 2,500
<b>May 19:</b>	Cashed Cheque for office use Sh. 1,000
<b>May 20:</b>	Cash drawings Sh. 500
<b>May 30:</b>	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)

b) The following information was extracted from the books of Jeff for the month of July 2021.

- July 1:** credit purchases from Benhim Sh. 15,000  
**July 2:** credit purchases from:  
King Sh. 3,000, Martin Sh. 3,500 & Charles Sh. 1,500  
**July 8:** Credit purchases from:  
Benhim Sh. 5,000 & Martin Sh. 3,200  
**July 12:** Goods returned to:  
King Sh. 500 & Charles Sh.350  
**July 15:** Credit Purchases from:  
King Sh. 3,800 & Martin Sh. 2,500  
**July 20:** Goods returned to:  
Benhim Sh 300 & Martin Sh. 250  
**July 25:** Credit purchases from King Sh. 2,900

**Required:**

- i. Prepare purchases journal (4 Marks)
- ii. Prepare Purchases ledger account (2 Marks)
- iii. Prepare Return outward Journal (2 Marks)
- iv. Prepare Return Outwards ledger Account (2 Marks)

**QUESTION THREE (20 MARKS)**

- a) When entries are made in the books of account, some wrong posting and calculations are possible. Explain four errors that do not affect the trial balance. (8 Marks)
- b) The following errors were discovered in the books of Aluoch for the month ended 31<sup>st</sup> December 2019
1. Goods sold on credit to John Sh. 230 was not recorded in the books
  2. Good bought from Jane Sh. 500 was credited to Jenny's Account
  3. Repairs to motor vehicles paid by cheque Sh. 650 had been debited to motor vehicles account
  4. Purchase of Motor van by cheque Sh. 2,000 was wrongly entered in the books as Sh. 2,200
  5. Goods returned by Sam Sh. 560 was debited to Sam's Account & credited return inwards account
  6. Purchases returns account & wages account were bought overstated by Sh. 300

**Required:**

Prepare journal entries to correct the errors above (12 marks)

**QUESTION FOUR (20 MARKS)**

- a) Kalekye started a business on 1<sup>st</sup> January with Sh. 650,000 in cash. The following transactions took place during the month.

- January 2: Paid cash for stationery Sh. 5,000 and postage Sh. 3,250
- January 3: Bought furniture for cash Sh. 50,000 & Machinery Sh. 80,000
- January 4: Purchased goods for cash Sh. 140,000
- January 5: Paid rent by cash Sh. 340,000
- January 8: Purchased goods from Muna Sh. 111,000 on credit
- January 10: Sold goods for cash Sh. 800,000
- January 12: Paid expenses for Sh. 10,000
- January 24: Paid Muna enterprises Sh. 90,000 in cash
- January 25: Bought goods worth Sh. 300,000 from Maria on credit & supplied them to Bibilu for Sh. 340,000 on credit.

**Required:**

- i. Prepare ledger accounts for the above transactions (10 marks)
- ii. Balance off the ledger account at the end of month (2Marks)
- iii. Extract a trial balance (3 Marks)
- b) Explain five functions of accounting (5 Marks)

**QUESTION FIVE (20 MARKS)**

- a) Accountants are guided by the policies and procedure set by the International Accounting Standards (IAS) Professionals. Highlight five importance of accounting standards. (5 Marks)
- b) Describe five the causes of the difference in balance as per cash book and balance as per bank Statement (5 Marks)
- c) Using examples, explain how an accountants would apply the following accounting concepts:
  - i. Dual aspect concept (2 Marks)
  - ii. Accrual concept (2 Marks)
  - iii. Matching Concept (2 Marks)
  - iv. Accounting Period Concept (2 Marks)
  - v. Convention of consistency (2 Marks)