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

Date: 2ND AUGUST 2022
Time: 2:30PM – 4:30PM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Discuss five functions of accounting (5 Marks)
b) The books of Kamau for the month of May 2021 had the following transactions.

May 1: Capital for starting the business:

Cash in hand Sh. 1. 450

Cash at Bank Sh. 28,730

May 2: Bought goods and paid by cheque Sh. 2,800

May 3: Bought goods from Njuno Sh. 5,700

May 5: Sold goods for cash for cash Sh. 3,700

May 6: Cash paid into bank Sh. 3,000

May 7: Paid rent by cheque Sh. 1,000

May 10: Paid for Postage in cash Sh. 150

May 15: Paid Njuno by cheque Sh. 5,700

May 17: Sold goods to Kibet Sh. 2,500

May 19: Cashed cheque for office use Sh. 1,000

May 20: Cash drawings Sh. 500

May 30: Paid wages by cheque Sh. 700

Required:

- i) Prepare a two-column cashbook and balance off as at 31st May 2021 (10 Marks)
ii) Post the transactions in the respective ledger and balance off (10 Marks)
iii) Extract a trial balance (5 Marks)

QUESTION TWO (20 MARKS)

- a) State and explain the three types of ledgers (6 Marks)

- b) The books of Omondi had the following transactions in the Month of August 2020

August 1: Credit Purchases: Betty Sh. 2,500, Mathew Sh. 1,450, Adam Sh. 3,550

August 5: Credit Sales: David Sh. 4,100, Winnie Sh. 3,400, Ben Sh. 2,700

August 7: Credit Purchases: Tom Sh. 1,470, Betty Sh. 350, Mathew Sh. 1,900

August 9: Goods Returned to: Betty Sh. 350, Mathew Sh. 500

August 10: Goods Returned by: Winnie Sh. 250, Ben Sh. 300

August 12: Credit Purchases: Tom Sh. 1,860, Betty Sh. 2,500, Mathew Sh. 800

August 15: Credit Sales: Winnie Sh. 1,500, David Sh. 2,200

August 18: Goods Returned to: Tom Sh. 200, Mathew Sh. 100

August 25: Goods Returned by: Winnie Sh. 180

Record the transactions in the following journals:

- i) Sales Journal (4 Marks)
ii) Purchases Journal (4 Marks)
iii) Return Outward Journal (3 Marks)
iv) Return Inward Journal (3 Marks)

QUESTION THREE (20 MARKS)

The following trial balance was extracted from Mutile's Books As at 31st December 2021.

	Dr.	Cr.
Purchases	72,000	
Stock(1 st January 2021)	12,000	
Carriage Outwards	3,000	
Discount Allowed	800	
Interest Received		260
Sales		130,000
Return Outwards		1,500
Bank Overdraft		12,000
Rent and Rates	4,960	
Debtors	1,800	
Capital		123,100
Creditors		3,500
Cash in Hand	3,000	
Salaries	15,600	
Land	13,000	
Furniture and Fittings	6,200	
Return Inwards	10,000	
Drawings	11,000	
Motor Vans	117,000	
	270,360	270,360

Additional information:

The closing stock as at 31st December 2021 was valued at Sh. 7,500

Required:

- i) Prepare income statement for the year ended 31st December 2021 (10 Marks)
- ii) Prepare statement of financial position as at 31st December 2021 (10 Marks)

QUESTION FOUR (20 MARKS)

- a) Explain the importance of balance sheet (6 Marks)
- b) Frank had the following balances as at 31st December 2021

	Sh.
Land	200,000
Stock	45,000
Equipment	75,000
Debtors	27,000
Creditors	35,000
Motor Vehicles	55,000
Loan from Bank	70,000
Cash in hand	5,000
Bank Overdraft	20,000

Required:

Classify the following items into:

- i) Fixed Assets (3 Marks)
- ii) Current Assets (3 Marks)
- iii) Long Term Liabilities (3 Marks)
- iv) Current Liabilities (2 Marks)
- v) Calculate Peter's Capital (3 Marks)

QUESTION FIVE (20 MARKS)

- a) Differentiate between discount received and discount allowed (3 Marks)
- b) Explain the following concepts:
- i) Convention of Materiality (2 Marks)
 - ii) Money measurement concept (2 Marks)
 - iii) Separate business entity (2 Marks)
 - iv) Matching concept (2 Marks)
- c) The following categories of people are recognized as users of the information contained in financial statements:
- Employees
 - Business managers
 - Investors
- For each of the above users of financial statements;
- i) Identify the kind of information they may require (3 Marks)
 - ii) Why do they require it (3 Marks)
 - iii) The decisions they make from that information (3 Marks)