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KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
DEGREE IN ECONOMICS AND FINANCE

Date: 17th April, 2024
Time: 2.30pm –4.30pm

KAC 2100: FUNDAMENTALS OF ACCOUNTING

INSTRUCTIONS TO THE CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

Case Study of Kidani Proprietor (sole trader)

The following Trial balance was extracted from books of Kidani proprietor as at 31 December 2022

	Dr	Cr
	Sh	Sh
Capital		645,000
Furniture, fittings and equipment	194,400	
Motor vehicle	259,200	
Sales		2,792,700
Purchases	1,781,200	
Returns	13,800	8,800
Carriage inwards	18,000	
Carriage Outwards	28,080	
Debtors and creditors	140,400	88,200
Discounts	6,900	8,400
Rent and rates	88,200	
Other operating expenses	227,808	
Salaries and wages	530,640	
Cash at bank	107,376	
Drawings	51,840	
Stock 1 January 2022	95,256	
	3,543,100	3,543,100

Additional Information

- Stock at 31 December 2022 is Sh 105,120
- Rates paid in advance Sh 4,050
- Depreciation on: Furniture, Fittings and equipment 10%
Motor vehicle 20%
- Salaries outstanding Sh 48,240

Required

Kidani sole proprietor has employed you as the accountant required:

- a) Prepare Statement of profit and loss for the year ended 31 December 2022. (8 marks)
- b) Prepare Statement of Financial Position as at 31 December 2022 (9 marks)
- c) Kidani proprietor accountant followed various accounting steps to prepare financial statements.
Outline steps in accounting cycle (8 marks)
- d) Highlight Five principles followed by Kidani Proprietor when preparing the above financial statements (5 marks)

QUESTION TWO (20 MARKS)

- a) Discuss Three main purpose why organizations maintain accounting records (6 marks)
- b) State and explain FOUR source documents in accounting (8 marks)
- c) Outline any three financial statements prepared by an organization (6 marks)

QUESTION THREE (20 MARKS)

The following transactions relate the business of Kimeu who started the business in 1st July 2022.

- July 1. Started business with Sh 100,000 in the bank and Sh 50,000 cash
- July 2. Bought stationery by cash Sh 5,000
- July 3. Bought goods on credit from Wafula Sh 60,000
- July 4. Sold goods for cash sh 54,000
- July 5. Deposited Sh 90,000 cash into the bank account
- July 7. Bought a computer by cheque Sh 30,000
- July 8. Paid water expenses by cash Sh 1,000 and electricity sh 1,200
- July 10. sold goods on credit to Karanja Sh 31,500
- July 11. Returned goods to Wafula Sh 2,000
- July 12. Karanja returned goods worth Sh 1,500
- July 14. Paid wages by cheque Sh 12,000
- July 17. Paid rent by cheque sh 5,000
- July 20. Received cheque of Sh 30,000 from Karanja
- July 26. Paid Wafula Sh 48,000 by cheque

Required:

- a) Ledger accounts and balance off the accounts (11 marks)
- b) Trial balance as at 31 July 2022 (5 marks)
- c) The scope of accounting encompasses various tasks and operations, including documenting, categorizing, summarizing, analyzing, and interpreting financial transactions. Identify different areas of scope of accounting (4 marks)

QUESTION FOUR (20 MARKS)

- a) Identify and explain four Errors that don't affect the trial balance (8 marks)
- b) Outline Four reasons that may make a cheque to be dishonored by the bank. (4 marks)
- c) Explain the Steps in preparing a bank reconciliation statement. (8 marks)

QUESTION FIVE (20 MARKS)

- a) Highlight Six users of accounting information (6 marks)
- b) ABC Ltd had acquired equipment at Sh.1,000,000 at 1.1.2008 to be used for 20 years. The company depreciates equipment on a straight-line basis. It sold the equipment on 30th June 2012 at Sh.750,000. Determine the loss or gain on disposal (6 marks)
- c) Explain four reasons for wear and tear of fixed assets (8 marks)