



Kasarani Campus
Off Thika Road
Tel.2042692/3
P.O Box 49274,00100
NAIROBI
Westland Campus
Pamstech House
Woodvale Grove

KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DIPLOMA IN PROCUREMENT & SUPPLIES
MANAGEMENT
DAC 1501: FINANCIAL ACCOUNTING

Date: 15TH April, 2024
Time: 8.30AM-10.30AM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Explain **FIVE** functions of accounting as depicted in the accounting world today. **(5 Marks)**
- b) On **April 01, 2023** Alice started business with Sh. 100,000 cash and other transactions for the month are:
- 2ND Purchase Furniture for Cash Sh. 7,000.
 - 8TH Purchase Goods for Cash Sh. 2,000 and for Credit Sh. 1,000 from Khalid Retail Store.
 - 14TH Sold Goods to Khan Brothers Sh. 12,000 and Cash Sales Sh. 5,000.
 - 18TH Owner withdrew Sh. 2,000 for personal use.
 - 22ND Paid Khalid Retail Store cash Sh. 500.
 - 26TH Received cash Sh. 10,000 from Khan Brothers.
 - 30TH Paid Salaries Expense Sh. 2,000.

Required:

Prepare a general journal for the above transactions **(10 Marks)**

- c) Define the term **accounting** and briefly explain **FOUR** characteristics of good accounting information **(5 Marks)**
- d) Explain **FOUR** benefits of preparing statement of financial position (Balance Sheet) to an organization. **(4 Marks)**
- e) The following were extracted from Samuel's Ledgers as at December 31, 2018

	Sh
Lands and buildings	200,000
Creditors	25,000
Capital	200,000
Stock	50,000
Loan from bank	65,000
Debtors	13,000
Motorvan	25,000
Cash at bank	2,000

Required:

Using the information provided above, classify them as follows:

(6 Marks)

- i. Fixed assets
- ii. Current assets
- iii. Owner's capital
- iv. Loan capital
- v. Current liabilities
- vi. Prove the Accounting equation

QUESTION TWO (20 MARKS)

- a) The accounting profession has for a long time relied on certain accounting concepts to guide accounting practice. Yet the application of the same concepts has been the source of criticism of the quality and relevance of information contained in financial reports.

Some of these concepts include:

- i. The separate business Entity
- ii. The money measurement concept
- iii. The going concern concept
- iv. Convention of materiality
- v. Convention of conservatism
- vi. Convention of consistency

Required:

- i. Explain its meaning **(6 Marks)**
 - ii. Justify its use **(6 Marks)**
- b) Differentiate the following as used in accounting:
- i. Debit note and credit note **(2 Marks)**
 - ii. Liquidity and Solvency **(2 Marks)**
 - iii. Sales and purchase **(2 Marks)**
 - iv. Return inward journal and return outward journal **(2 Marks)**

QUESTION THREE (20 MARKS)

- a) Kaeni commenced business on 1st January, 2024 with a capital of Sh.100,000 in cash. On the same date he opened the bank account in KCB Bank and deposited Sh.20,000. During the month of January 2024, the following transactions took place:

- Jan 2nd: Bought goods for cash Sh.70,000
- 5th: Sold goods for cash 9,000
- 12th: Stationery bill paid by cheque 2,000
- 20th: Telephone bill by cash 500
- 24th: Goods returned by Tom Sh. 2,000
- 25th: Withdrew Sh. 3,000 from the bank for office use
- 31st: Withdrew cash personal use 5,000

Required:

- i. Record ledger entries for the transactions **(8 Marks)**
 - ii. Extract a trial balance **(2 marks)**
- b) Audits done on Achieng's books for the year ended 31st June 2023 revealed the following errors:
- i. A machine purchased for sh 1200 had been debited to the purchase account.
 - ii. Goods purchased from Karimi for sh 150 were credited to the account of Karemu.
 - iii. An invoice from Alex for sh 270 was omitted
 - iv. Goods sold to Alicia for sh 175 were entered in the sale daybook as sh 157.
 - v. The salaries and wages account was over-added by sh 35 and rent received account had also been over-added by sh. 35.

Required:

- Show the necessary journal entries to correct the above errors. **(10 Marks)**

QUESTION FOUR (20 MARKS)

- a) Mary started a business as a fishmonger on 1st July 2023 with Sh. 45,000 cash. Her transactions during the month were as follows:
- July 2: She opened bank account and deposited Sh 40,000.
3: She paid cash rent sh. 3,500
6: She sold fish Sh. 58,000 and received cash less 7% discount
7: She purchased new office desk sh. 2,700 and paid by cheque
9: She lodged sh. 25,000 in the bank
10: She purchased fish from Kinga Fisheries Association sh 21,000 and paid half of the amount involved by cheque.
13: She hired a driver and paid him in cash sh. 2,000
19: Received cheque less 4 % discount from Matuu exporters on account for the account worth sh. 7,000
23: Paid Kasee Ltd. sh. 16,000 less 3 % discount by cheque on account
24: Withdrew sh 5,000 from bank for personal use
27: Bought fish sh. 8,300 and paid by cheque less 6% discount
28: Sold fish sh. 5,600 to Uthuru city lodge and received cheque for sh. 1200 in part payment
29: She paid Kinga Fisheries Association by Cheque the full amount due less 5% discount
31: Paid salaries and wages sh 4,700 in cash and water bill sh 500 by cheque

Required:

Post entries to three column cash book and balance off.

(12 Marks)

- b) State and explain **FOUR** source documents that an accountant can refer to in recording business transactions.

(8 Marks)

QUESTION FIVE (20 MARKS)

You are provided with the following trial balance extracted from Pimbi Ltd. as at December 31, 2023.

	DR. Shs.	CR. Shs.
Capital		250,000
Stock(1/1/2023)	25,000	
Motor Van(Cost)	80,000	
Plant & Machinery	250,000	
Purchases and Sales	360,000	600,000
Returns	20,000	20,000
Salaries	60,000	
Discounts	5,000	4,000
Carriage Inward	2,500	
Carriage Outward	3,000	
Commission Received		19,400
Postage	7,500	
Water Bills	8,600	
Rent & Rates	15,000	
Electricity	2,400	
Telephone	2,600	
Bad debts	1,500	
General Expenses	5,900	
Debtors & Creditors	55,000	46,600
Cash in Hand	6,000	
Cash at Bank	30,000	
	940,000	940,000

Additional information:

- a) Closing stock was valued at Shs. 22,500 on 31st December 2023.
- b) Depreciation is charged as follows:
 - i. 10% of cost of Plant
 - ii. 20% of cost of Motor Van
- c) Accrued Rent is Sh. 3,000 and Prepaid Rates are Sh. 1.000

Required:

- i. Prepare income statement for the Year ending 31st December 2023. **(12 Marks)**
- ii. Prepare Statement of financial position as at 31st December 2023. **(8 Marks)**