



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DIPLOMA IN DIGITAL MARKETING
DAC 1501 FINANCIAL ACCOUNTING

Date: 9TH AUGUST 2024
Time: 8:30AM – 10:30A-M

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Accounting principles are the rules and guidelines that companies and other bodies must follow when reporting financial data . Highlight six accounting principles **(6 Marks)**
- b) The transaction below belongs to Infinity multinational Ltd. For the year ended 31st Dec 2020
:
- | | | |
|----------|----|--|
| December | 1 | Started business with cash £1,000. |
| " | 2 | Bought goods on credit from A Cliks £296. |
| " | 3 | Paid rent by cash £28. |
| " | 4 | Paid £1,000 of the cash of the firm into a bank account. |
| " | 5 | Sold goods on credit to J Simpson £54. |
| " | 7 | Bought stationery £15 paying by cheque. |
| " | 11 | Cash sales £49. |
| " | 14 | Goods returned by us to A Cliks £17. |
| " | 17 | Sold goods on credit to P Lutz £29. |
| " | 20 | Paid for repairs to the building by cash £18. |
| " | 22 | J Simpson returned goods to us £14. |
| " | 27 | Paid A Cliks by cheque £279. |
| " | 28 | Cash purchases £125. |
| " | 29 | Bought a motor vehicle paying by cheque £395. |
| " | 30 | Paid motor expenses in cash £15. |
| " | 31 | Bought fixtures £120 on credit from R west |

Required;

- i) Prepare Ledger accounts and balance them off **(8 Marks)**
ii) Extract a trial balance **(4 Marks)**
- c) Identify Four errors that do not affect balancing of a Trial balance. **(4 Marks)**
d) Accounting cycle provides a clear guide for the recording, analysis, and final reporting of a business's financial activities .Identify the major steps in accounting cycle **(8 Marks)**

QUESTION TWO (20 MARKS)

a) The following relate to cash and bank transactions of Gen Z ltd for Oct 2021

- Oct 1 The cash balance was sh 4,000 debit and bank balance credit Sh 8,000
- Oct 1 Borrowed Sh 50,000 from Esther who paid by cheque.
- Oct 2 Goods worth Sh 25,000 were bought paying by cheque
- Oct 3 Received cheque from Clare to settle an account of Sh 10,000 less 4 % discount.
- Oct 4 Sh 11,000 was withdrawn from the bank for business use
- Oct 5 Rent of Sh 10,000 was paid in cash
- Oct 5 Goods worth Sh 35,000 were sold by cash
- Oct 6 Sh 35,000 cash was deposited into the bank account
- Oct 7 Bought office supplies cash Sh 4,000
- Oct 8 Received a cheque of Sh 22,500 Ezra. Discount allowed Sh 750
- Oct 10 Paid a cheque to James to settled an account of 30,000 less discount received 5%.
- Oct 15 Paid Eliud by cheque Sh 12,500.
- Oct 20 Customer bought goods worth Sh 20,000 and deposited money directly in to the bank account
- Oct 25 Wages of Sh 12,000 were paid by cheque

Required

- i) Prepare a Three column cash book (10 Marks)
- ii) Outline Five qualities of good accounting information (5 Marks)
- iii) Double entry system requires a transaction to be recorded both in debit and credit side, State five circumstance where a business records a debit entry (5 Marks)

QUESTION THREE (20 MARKS)

- a) State and explain FOUR source documents in accounting. (8 Marks)
- b) The main objective of financial accounting is to prepare financial accounting statements and reports about the business entity useful to number of users to make economic decisions. Identify four users and explain how these statements are useful to them.

QUESTION FOUR (20 MARKS)

a) Explain the following terms used in accounting;

- i) Non current Assets (2 Marks)
- ii) Current Assets (2 Marks)
- iii) Liability (2 Marks)
- iv) Capital (2 Marks)

b) The following were provided for Joylene Enterprises March 2022

- June 1 Credit sales Jane Sh 2,800 Mary Sh 7,400, John Sh 7,250
- June 3 Credit purchases from Haron Sh 7,400, Joy Sh 1,500 Ann Sh 3,800
- June 7 Credit sales to Carol Sh 4,500, Ian Sh 3,900 , Joyce Sh 12,700
- June 9 Credit Purchases to Mary Sh 2,400, Aron Sh 3,800, Carol Sh 10,300
- June 17 Credit purchases from Stanley Sh 3,400, David Sh 3,500, Telly Sh 4,500
- June 24 Credit sales to Adrian Sh 3,700, John Sh 3,500, Kate Sh 7,200

Required

- i) Sales Journal and sales ledger account (4 Marks)
- ii) Purchases Journal and purchase ledger account (4 Marks)
- c) Identify four types of journals (4 Marks)

QUESTION FIVE (20 MARKS)

The following Trial balance was extracted from books of Mary land Ltd as at 31 December 2020

	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% s
Motor vehicle 20%
- Salaries outstanding Sh 48,240

Required

- Statement of profit and loss for the year ended 31 December 2022
- Statement of Financial Position as at 31 December 2022

(11 Marks)**(9 Marks)**