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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF BUSINESS AND INFORMATION
TECHNOLOGY

Date: 2nd August, 2022
Time: 2.30pm –4.30pm

KBA 2107 - ACCOUNTING FOR BUSINESS

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) The auditor of Mwihoko Ltd revealed the following errors.
- i) A sale of goods worth sh. 59 to E. George has been omitted from the books of accounts.
 - ii) A purchase of a machine of sh. 2,000 has been debited to purchases account
 - iii) A purchase of goods of sh. 44 from C Simons was entered in error to C. Simpsons
 - iv) A sale of sh. 98 to A. Kamau has entered in the books at shs. 89
- Required:
- Use journal entries to correct the above errors (8 marks)
- b) Explain four qualities of a good accounting information (8 marks)
- c) On 1st January 2019, Joel Mwendwa started a retail business with shs 270,000 in cash. The following transactions were recorded during the month of January.
- January 1: Opened bank current account with shs 180,000 Cash.
- 3: Bought goods for resale and paid by cheque Shs 67,500.
 - 4: Cash sales shs 43,200, paid wages 3375 in cash.
 - 5: Sold goods to Alfred Mwangi on credit sh 36000.
 - 8: Bought goods worth shs 63000 on credit from Thika wholesalers, less 10% trade discount.
 - 11: Cash sales shs 18,000.
 - 11: Paid cash into the bank shs 13,500.
 - 13: Cash purchases shs 40,500.
 - 15: Sold goods on credit to Malava Traders worth Shs 72,000 less 10% trade discount.
 - 17: Received cash shs 9000 from Alfred Mwangi on account.
 - 18: Sold goods on credit to Kitui traders worth shs 78,300.
 - 19: Kitui traders returned goods worth shs 400 for being damaged and were given a credit
 - 20: Returned goods to Thika wholesalers shs 900 and received a credit note.
 - 20: Drew cheque for office use shs 9,000.
 - 21: Cash purchases shs 34,920.
 - 21: Purchased goods on credit from Winam Enterprises shs 81,000.

- 22: Returned goods to Winam enterprises worth Shs 4,500 and received a credit note.
 24: Cash sales 27,000, banked shs 18,000.
 25: Purchased duplicating paper, pens, pencils, envelopes for office, all valued at shs 7,200 cash.
 26: Alfred Mwangi sent a cheque in full settlement of his account after having deducted 5% cash
 27: Settled Thika wholesalers account by cheque Less shs 990 cash discount.
 28: Paid electricity bill shs 1,125 in cash.
 29: Settled water bill by cheque 1,350.
 30: Drew cheque for personal use shs 9000.
 30: Received cash from Kitui traders shs 13,500 on account.
 30: Paid winam enterprises shs 36,000 on account by cheque.
 31: Paid Motor repairs expenses shs 15,300 in cash.
 31: Banked cash shs 45,000.
 31: Bought two Olympia type writers for office use
 Shs 81,000 by cheque.
 Required:
 Prepare a three column cash book and balance it off. (14 marks).

QUESTION TWO (20MARKS)

The following trial balance was extracted from the books of Nyota ltd as on December 31, 2019.

	DR	CR
	Shs	Shs
Capital		250,000
Stock (1.1.2019)	25,000	
Plant and machinery (cost)	250,000	
Motor vehicles	80,000	
Provision for depreciation of plant and machinery		20,000
Provision for depreciation of motor vehicles		16,000
Purchases		360,000
Sales		600,000
Return inwards/sales returns	40,000	
Return outwards/ purchases returns		20,000
Wages and salaries	60,000	
Discounts	5,000	4,000
Carriage inwards	2,500	
Carriage outwards	3,000	
Postage and telephone	7,500	
Water and electricity	8,600	
Bad debts written off	1,500	
Provision for bad debts		1,000
General expenses	8,500	
Rent and rates	15,000	
Debtors	55,000	
Creditors		
46,600		
Cash in hand	6,000	
Cash at bank	30,000	
TOTALS	957,600	957,600

Additional information

- 1) Closing stock on 31st December 2019 was valued at 22,500.
- 2) Depreciation is to be charged at 10% of cost of plant and machinery and 20% of cost of motor vehicles
- 3) Accrued rent is 3,000 and prepaid rates are 1,000.
- 4) Outstanding electricity expenses are 600.
- 5) Provision for bad debts is to be increased by 300.

Required:

- i) Prepare an income statement for the year ended 31st December 2019. (10 marks)
- ii) Prepare statement of financial position as at that date. (10 marks)

QUESTION THREE (20MARKS)

- a) Differentiate between:
 - i) Personal accounts and impersonal accounts (4 marks)
 - ii) Double entry and contra entry (2 marks)
- b) The following transactions were recorded in the month of May 2019.

May 2019:

- Opened a business with shs 20000 in the bank.
- Bought premises by cheque shs 8000
- 5- Bought motor van on credit from J. Smith 2000.
- 7- Bought goods from A. William shs 800 by cheque.
- 13- Sold goods for cash 600.
- 15- Sold goods on credit to Roberts shs 700.
- 16- Received a loan from in cash 12000.
- 17- Paid by cheque to J. Smith 2000.
- 20- Paid wages and salaries 1000.
- 21- Received a cheque from M. Roberts shs 700.
- 30- Paid sundry expenses by cheques shs 100.

Required:

- i) Enter the above transactions in the ledger accounts and balance them off. (10 marks)
- ii) Prepare a trial balance (4 marks)

QUESTION FOUR (20 MARKS)

- a) Define the term bank reconciliation statement. (2 marks)
- b) Discuss the main causes of differences between the balance in the cash book and the bank statement. (5 marks)

- c) Awour has the following assets and liabilities as at 30/4/2020.

Creditors	15800
Equipment	46000
Motor vehicle	25160
Stock	24600
Debtors	23080
Cash at bank	29120
Cash in hand	160

During the first week of May 2020, Awour ;

- i) Bought extra equipment on credit for shs 5520
- ii) Bought extra stock by cheque 2280.
- iii) Paid creditors by cheques shs 3160.
- iv) Debtors paid 3360 by cheque and shs 240 by cash.
- v) Awuor put extra shs 1000 cash as capital.

Required:

- i) Determine the capital as at 31st April 2020 (3 marks)
- ii) Calculate the balances of each assets , liabilities and capital as at the end of first week of May (10 marks)

QUESTION FIVE (20MARKS)

- a) A cashier in the firm starts with shs 2000 in the month of March 2019 (float cash). In the following week the following payments are made.

March 2019:

1- Bought stamps for	shs 80.
2- Paid bus fare	shs 120
3- Cleaning materials	shs240
4- Bought fuel	shs150
5- Cleaning wages	shs 300
6- Bought stamps	shs 200
7- Paid L.Thomson (creditor)	shs400
8- Fuel costs	shs150

On 8th of March the cashier requested for a refund of the cash spent and this amount was reimbursed back.

Required:

Prepare a petty cash book showing the balances to be carried forward.

(10 marks)

- b) The following information was obtained from the books of D. Kamau relating to the year 2019.

2019:shs

January 1- Balance brought forward	11500
December 31- Sales per sales day book	60850
December 31- Cash received per cash book	48950
December 31- Discount allowed per cash book	2585
December 31- Returns from customers	4565
December 31- Bad debts written off	545

Required:

Prepare a sales ledger control account

(6 marks)

- c) Discuss the purposes of control accounts.

(4 marks)