



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 WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR**  
**FIRST YEAR, FIRST SEMESTER EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF SCIENCE**  
**(BUSINESS ADMINISTRATION)**

Date: 13<sup>th</sup> December, 2024  
Time: 8.30 – 10.30am

**KAC 2100 - PRINCIPLES OF ACCOUNTING 1**

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

Annual external audits are performed on financial statements of companies to give assurance to the owners that the financial statements give a true and fair view of the financial affairs of the company. During the audit of financial statements of Jairo Company, the auditors were presented with a trial balance which was not balancing and the accountants had placed the difference as suspense account on the credit side of the trial balance of Sh 18,190. The statement of profit or loss had a profit of sh 540,000 and the statement of financial position had also carried the balance of the suspense account.

The balances on the cash book and those in the bank statement were also differing. The bank statement had a balance of Sh 862,200 while the balance in the cash book had a balance of Sh 909,600.

On further investigation the following was discovered.

1. Rent received Sh 43,000 was posted to rent accrual account
2. Rates account is overcast by sh 4,280
3. Sales account undercast by sh 21,400
4. Repairs of equipment of Sh 33,400 have been debited in equipment account
5. Motor expenses of Sh 13,700 paid by cheque were omitted completely in the books
6. Purchase of office machine of Sh 24,200 had been posted into the purchases account
7. Payment made to Charles a creditor for sh 7,490 had been entered in the cash book only.
8. The bank statement had bank charges worth Sh. 19,500, Interest charges of Sh.35,000 which had not been posted into the cash book
9. Cheques given to suppliers worth Sh 42,500 which had not been presented to the bank.
10. Cheques received from customers worth Sh 21,700 which had not been banked.

Required;

- a) Provide the necessary journal entries to correct each of the following errors. (9 marks)
- b) Prepare suspense account to eliminate the difference in trial balance. (4 marks)
- c) Prepare an updated cash book. (4 marks)
- d) Prepare bank reconciliation statement (2 marks)
- e) A statement showing corrected profit or loss (5 marks)
- f) Highlight two reasons why it's necessary to correct errors whenever its discovered (2 marks)
- g) Explain two fundamental qualitative characteristics violated by accountants of Jairo company in preparing financial statements (4 marks)

### **QUESTION TWO (20 MARKS)**

- a) Kenyan Companies used Kenya Accounting Standards in the 70s to the most part of 90s. In 1999 the Institute of Certified Public Accountants of Kenya with help of the Kenyan government adopted the use of international accounting standards (IAS) and international financial reporting standards (IFRS) for financial reporting. Discuss three benefits **accruing** for using IAS and IFRS by the Kenyan and multinational companies. (6 marks)
- b) Identify six examples of business transactions and show how it affects the elements of statement of financial position. (6 marks)
- c) You are accounting student at Kwust and Joy the owner of Zoy Enterprises who started business in 2020 and has not been maintaining proper books of accounts provided the following information as at 31 December 2023

	Shs
Motor vehicle	1,500,000
Computers	80,000
Creditors	180,000
Loan	450,000
Debtors	280,000
Furniture and Equipment	195,000
Cash in hand	15,000
Cash at Bank	300,000
Closing stock	270,000
Accruals	8,500
Drawings	125,000
Profit for the year 2023	780,000
Prepayment	3,500

- The requires you to calculate the capital for the business (4 marks)
- c) The main objective of financial accounting is to prepare financial statements that is useful to primary and secondary users to make informed economic decisions. Identify two external users and discuss how financial statements is useful to them. (4 marks)

### **QUESTION THREE (20 MARKS)**

The following trial balance has been extracted from ledger of Kings wholesalers as at 31 December 2023

	Debit Sh	Credit Sh
Sales		4,657,500
Purchases	1,510,000	
Returns	3,100	4,700
Carriage inward	15,000	
Carriage outwards	7,600	
Discounts	9,500	10,100
Rent, rates and insurance	222,800	
Postage and stationery	101,300	
Advertising	126,700	
Salaries and wages	891,700	
Other general expenses	802,000	
Bad debts	30,400	
Allowances for doubtful debts		10,200
Accounts receivable	408,400	
Accounts payable		110,000
Cash in hand	4,300	
Cash at bank	155,500	
Drawings	40,200	
Inventory 1 January 2023	401,000	
<b>Motor vehicle</b>		
• Cost	1,700,000	
• Provision for depreciation 1 Jan 2023		612,000
<b>Furniture and Equipment</b>		
• Cost	250,000	
• Provision for depreciation 1 Jan 2023		75,000
Capital		1,200,000
	<b>6,679,500</b>	<b>6,679,500</b>

#### **Additional Information**

- Advertising is accrued Sh 12,100 while rates have been prepaid Sh 16,200
- Furniture and Equipment is depreciated at 10% p. a straight line
- Motor vehicle is depreciated at 20% p.a reducing loan
- Allowance for doubtful debts is to be provided at 3% of receivable
- Inventory at 31 December 2023 was Sh 455,600

#### **Required**

- a) Statement of profit or loss for the year ended 31 December 2023 (8 marks)
- b) Statement of financial position as at 31 December 2023 (8 marks)
- c) Explain two main assumptions and concepts to be followed in preparation of the above financial statements (4 marks)

#### **QUESTION FOUR (20 MARKS)**

Mohammed trading as Moha Enterprises had the following cash and bank transactions for the month of April 2023.

- Apr 1 Balance brought forward cash Sh 62,000 and Bank Sh 714,200
- Apr 2 Bought goods on credit from White Sh 50,000, Green Sh 60,000, Frank Sh 150,000
- Apr 4 Paid rent by cheque sh 43,000.
- Apr 5 Made sales on credit to Sly Sh 30,000, Filomena Sh 40,000, Okoth Sh 50,000, Sh Johnson 15,000
- Apr 6 Sold goods on credit to Owen Sh 55,000, Linda sh 80,000,
- Apr 10 Paid motor expenses sh 8,000 by cash
- Apr 11 Received from the following debtors by cheque: Sly Sh 26,000 less discount allowed 5% ,  
Filomena Sh 32,000 less 5% discount , Okoth Sh 42,000 less 5% discount allowed
- Apr 12 Received cheque from Johnstone Sh 9,000 cash after deducting discount of Sh 200.
- Apr 13 Paid the following creditors by cheque White Sh 40,000 less 3% discount, Green Sh 53,000  
less discount of Sh 3,000, Frank Sh 125,000 less discount received Sh 5,000
- Apr 15 Paid wages by cash sh 54,000
- Apr 16 Bought goods on credit from Peter Sh 20,000, Sam Sh 40,000
- Apr 18 Received cheques from the following debtors. Paul Sh 54,000 after discount allowed Sh 2,000, Linda Sh 70,000 after discount allowed Sh 2,500, Owen Sh 52,000 after discount allowed 1,500
- Apr 21 Cash withdrawn from bank Sh 40,000 for business use
- Apr 24 Cash drawings Sh 24,000
- Apr 25 Settled account for Peter a creditor of by paying Sh 15,500 cash after discount of Sh 500
- Apr 29 Bought fixtures Sh 72,000 paying it by cheque
- Apr 31 Received commission by cheque Sh 12,000

#### **Required;**

- |    |                                      |            |
|----|--------------------------------------|------------|
| a) | Three column cash book               | (10 marks) |
| b) | Sales Day book/Journal               | (3 marks)  |
| c) | Purchases day book/Journal           | (3 marks)  |
| d) | Highlight four features of cash book | (4 marks)  |

### **QUESTION FIVE (20 MARKS)**

- a) Accounting cycle involves recording, classifying, summarizing and reporting financial data. State three financial statements and reports in reporting phase.

(3 marks)

- b) The following transactions were obtained from Janet operating as Jano Traders Ltd for the month of May 2024

May 1. Janet started a business with Sh 1,500,000 in the bank  
May 3. Bought goods by cheque Sh 263,000  
May 5. Cash sale Sh 61,000  
May 5. Deposited Sh 61,000 cash into bank account  
May 6. Paid rent by cheque Sh 17,500  
May 7. Paid business rates by cheque Sh 13,000  
May 11. Sold goods on credit to Paul Sh 150,000, Greg Sh 164,000  
May 17. Paid wages by cheque Sh 29,000  
May 18. Bought goods on credit from Charles sh 110,000, Ray Sh 32,000  
May 20. Returned goods to Charles Sh 2,700  
May 20. Goods were returned by Paul Sh 7,500  
May 21. Bought pick up by cheque sh 500,000  
May 23. Creditors were paid by cheque as follows Charles Sh 100,000, Ray Sh 32,000  
May 25. Bought another pick up by cheque Sh 620,000  
May 26. Received cheques from Paul sh 142,500  
May 27. Received cheque Sh 150,000 from Greg.  
May 30. Withdrew Sh 40,000 from bank for personal use

Required;

- i) Ledger accounts and balance off the accounts (13 marks)  
ii) Trial balance as at 31 May 2024 (4 marks)