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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2017/2018 ACADEMIC YEAR
DIPLOMA IN BUSINESS INFORMATION TECHNOLOGY

DBT 016 - FUNDAMENTALS OF ACCOUNTING

Date:

Time:

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

a) Prepare a trading account from the following information.

	Dr	cr
Sales		150,00
Purchases	80,000	
Opening stock	20,000	
Carriage inwards	5,000	
Closing stock	15,000	

(5 Marks)

b) Complete the gap in the following table using the accounting equation

Assets	liabilities	capital
5800	200	
12800		1800
30750	11650	19200
30500		5000

(5 Marks)

c) Briefly explain what type of information the following users of accounting information look for in financial statements.

- Owners of the business
- Potential investors
- Banks
- Employees
- Tax authority

(5 Marks)

d) Classify the following assets into assets and liabilities.

- i. Motor vehicles
- ii. Premises
- iii. Creditors for goods
- iv. Stock of goods
- v. Debtors
- vi. Cash in bank
- vii. Cash in hand
- viii. Loan from b. brown
- ix. Machinery
- x. Prepaid insurance

(5 Marks)

e) Explain the following terms from the financial accounting context

- i. Balance sheet
- ii. Real accounts
- iii. Revenue expenses
- iv. Capital income
- v. Trial balance.

(10 Marks)

QUESTION TWO (20 MARKS)

a) Explain three uses of a trial balance

(5 Marks)

b) Prepare a trial balance from the following information.

	Sh.
Debtors	40,000
Creditors	60,000
Bank loan	250,000
Motor vehicles	400,000
Plant and machinery	800,000
Prepaid rent	15,000
Stock	45,000
Bank overdraft	18,000
Capital	914,000
Advertising	42,000

(15 Marks)

QUESTION THREE (20 MARKS)

Open assets, liabilities and capital accounts to record the following transactions.

- i. May 1 2016, started business with capital of shs. 60,00 in a bank account
- ii. May 2, 2016; bought machinery by cheque sh. 15,000
- iii. May 3, 2016; bought stock on credit from p.burton for shs. 5,000
- iv. May 5, 2016; paid rent shs. 500 by cheque
- v. May 10, 2016; received a loan of shs. 14000 from t. Charles.the amount was paid in the bank account

QUESTION FOUR (20 MARKS)

The following trial balance was extracted from the books of t.charles as on 1st May 2016.

	Dr	Cr
Plant and machinery	200,000	
Equipments	120,000	
Motor vehicles	60,000	
Sales		600,000
Purchases	250,000	
Carriage inwards	10,000	
Carriage outwards		20,000
Creditors		60,000
Debtors	40,000	
Rent	14,000	
Salary and wages	60,000	
Insurance	15,000	
Advertising	20,000	
Motor vehicle expenses	15,000	
Capital		239,000
Cash	15,000	
Bank	40,000	
Drawing	10,000	
Stock as at 30 th April 2015	50,000	
	919,000	919,000

Stock as at 1st may 2016 sh. 80,000

Required

Prepare at trading account for the period ended on 1st May 2016

- a) Balance sheet as at 1st may 2016

QUESTION FIVE (20 MARKS)

- a) Explain the causes of the difference between the cash book balance and the bank statement balance. (10 Marks)
- b) Explain four types of errors found in the books of accounts. (10 Marks)