



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, 2022/2023 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 14th December, 2022
Time: 2.30pm –4.30pm

KAC 100 - PRINCIPLES OF ACCOUNTING 1

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Explain at least four users of accounting information. (8 Marks)
- b) The followings balances were extracted from the books of Kaza Mwendo Enterprises, a wholesale business, as at 31 October 2021:

		Sh.
Drawings		660,000
Trade receivables		990,000
Purchases		2,303,840
Sales returns		79,420
Capital		4,104,100
Trade payables		330,000
Sales		4,691,280
Purchase returns		120,340
Discount received		93,720
Provision for depreciation:	Motor vehicle	176,000
	Fixtures and fittings	63,800
Allowance for doubtful debts		44,000
15% Bank loan		220,000
Salaries and wages		1,034,000
Discount allowed		54,560
Bank balance		568,260
Cash in hand		26,400
Electricity expenses		103,840
Rent and rates		54,560
Freehold premises (cost)		1,569,700
Fixtures and fittings (cost)		334,400

Stationery		34,320
Postage and telephone expenses		44,000
Insurance premiums		13,200
Bad debts written off		15,840
Motor vehicle expenses		84,920
Inventory (1 November, 2020)		1,393,480
Interest on bank loan		16,500

Additional information:

1. The following were the values provided on inventory as at 31 October 2021:

Replacement cost	Sh. 1,036,400
Net realizable value	Sh. 1,366,200
2. Sales include sh. 300,000 worth of goods sold by KazaMwendo Enterprises agents' who are allowed 15% commission on such sales. The transaction has not been recorded in the books.
3. Depreciation is to be provided as follows:

Fixtures and fittings	10% p.a on reducing balance basis
Motor vehicles	15% p.a. on straight line basis
4. Annual insurance premium amounted to sh. 12,000
5. As at 31 October 2021, there was a balance of Sh. 65,000 received from a customer in cash.
6. Salaries and wages were in arrears of Sh. 35,000.
7. The electricity bill for the month of October of sh. 14,500 was received on 5 November 2021.
8. Stationery stock amounted to sh. 8,750
9. An allowance of 5% is to be maintained for doubtful debts.
10. Goods worth sh. 48,840 had been distributed to potential customers as free samples.

Required:

- i) Income statement for the year ended 31 October 2021
- ii) Statement of financial position as at 31 October 2021

(18 marks)

- c) Highlight at least Two internal users and Two external users of accounting information

(4 marks)

QUESTION TWO (20 MARKS)

- a) Describe the following concepts in accounting;

- i) Accounting equation
- ii) Uncredited cheque
- iii) Double entry aspect
- iv) Corresponding account
- v) Unpresented cheque

(10 marks)

- b) Explain four errors that don't affect the trial balance giving examples.

(10 Marks)

QUESTION THREE (20 MARKS)

- a) A three-column cashbook is to be written up from the following details, balanced off, and the relevant discount accounts in the general ledger shown.
- 202
- | | | |
|-----|----|---|
| Mar | 1 | Balances brought forward: Cash Sh.230; Bank Sh.4, 756. |
| " | 2 | The following paid their accounts by cheque, in each case deducting 5% discounts: Burton Sh.140; Taylor Sh.220; Harris Sh.300. |
| " | 4 | Paid rent by cheque Sh.120. |
| " | 6 | Cotton lent us Sh.1, 000 paying by cheque. |
| " | 8 | We paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: Black Sh.360; Towers Sh.480; Rowse Sh.800. |
| " | 10 | Paid motor expenses in cash Sh.44. |
| " | 12 | Hankins pays his account of Sh.77, by cheque Sh.74, deducting Sh.3 cash discount. |
| " | 15 | Paid wages in cash Sh.160. |
| " | 18 | The following paid their accounts by cheque, in each case deducting 5% cash discount: Winston Sh.260; Wilson & Son Sh.340; Winter Sh.460. |
| " | 21 | Cash withdrawn from the bank Sh.350 for business use. |
| " | 24 | Cash Drawings Sh.120. |
| " | 25 | Paid Briers his account of Sh.140, by cash Sh.133, having deducted Sh.7 cash discount. |
| " | 29 | Bought fixtures paying by cheque Sh.650. |
| " | 31 | Received commission by cheque Sh.88. |

(20 Marks)

QUESTION FOUR (20 MARKS)

- a) Kerubo a business lady has the following assets and liabilities as on 30 November 2022: Creditors Sh.39,500; Equipment Sh.115,000; Motor vehicle Sh.62,900; Stock Sh.61,500; Debtors Sh.57,700; Cash at bank Sh.72,800 and Cash in hand Sh.400.
- Compute the balance on the capital account as at 30 November 2022.
- During the first week of December 2022, Kerubo:
- i) Bought extra equipment on credit for Sh.13,800.
 - ii) Bought extra stock by cheque Sh.5,700.
 - iii) Paid creditors by cheque Sh.7,900.
 - iv) Received from debtors Sh.8,400 by cheque and Sh.600 by cash.
 - v) Put in an extra Sh.2,500 cash as capital.

You are to draw up a statement of financial position as on 7 December 2022 after the above transactions have been completed.

(12 Marks)

- b) Elucidate the qualities of useful financial information

(8 Marks)

QUESTION FIVE (20 MARKS)

On 31st December 2022 the cash book of Mrs Kioko who operates a Milk Parlour showed a balance at the bank of Sh. 8, 100. The bank statement however showed a balance of Sh 6,700. Going through the bank statement she found out that:

- i) A cheque received from Mwihoko Limited on 1st December for Sh 600 and entered into the cash book did not appear on the bank statement
- ii) A cheque paid to Kamara Sh 700 on 25th December had not been presented
- iii) A cheque received from Njiru on 24th December Sh 600 and entered into the cash book was returned dishonored. No entry in this regard was recorded in the cash book
- iv) Bank charges amounting to Sh 100 had not been entered into the cash book
- v) The bank received directly Sh 1000 from Kakuzi Limited as dividends on 18th December on behalf of Mrs Kioko
- vi) A cheque payment of Sh 2000 to Olivia had been entered in error Sh200 in the cashbook

Required;

- a) State and briefly explain two purposes of a bank reconciliation statement.
(4 Marks)
- b) Make the necessary entries to update the cash book
(8 Marks)
- c) Prepare a bank reconciliation statement for Mrs. Kioko for the month of December 2022
(8 Marks)