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KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
SECOND YEAR, FIRST SEMESTER EXAMINATION
FOR THE BACHELOR OF SCIENCE IN INFORMATION TECHNOLOGY
KAC 2103 – ESSENTIALS OF ACCOUNTING

Date: 09TH December 2024

Time: 2:30PM – 4:30PM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Accounting cycle provides a clear guide for the recording, analysis and reporting of business financial activities. Identify the major steps in accounting cycle. (6 Marks)
- b) During the year ended 2022 the bank statement of Aby Enterprises showed a balance of Sh 862,200 while the cash book showed a debit balance of Sh 895,000. On further investigation the following was discovered.
- The bank statement had bank charges worth Sh. 5,000, Interest charges of Sh.14,500 and direct debits of Sh. 35,000 which not posted into the cash book
 - Cheques given to suppliers worth Sh 42,500 which had not been presented to the bank.
 - Cheques received from customers worth Sh 21,700 which had not been banked.
 - A cheque received from the customer of Sh 9,800 had been posted in the cash book as Sh 8,900. The correct amount appears in the bank statement.

Required

- i) Updated cash book (4 Marks)
- ii) Bank reconciliation statement (4 Marks)
- c) The following details are given in relation to a manufacturing business. Selling price per unit shs 60. Variable cost per unit shs 25. Fixed costs shs 350,000.
- Required;
- i) Calculate break-even point in units and shillings (4 Marks)
- ii) If the owner wants a profit of shs 150,000, how much must he sell to achieve this (4 Marks)
- iii) The owner desires to cover additional fixed costs of shs 200,000. How much additional quantity will be required to cover the additional fixed costs. (4 Marks)
- d) The costs incurred for the two periods is as follows
- | Period | Units | Costs |
|--------|-------|--------|
| 1 | 2000 | 25,000 |
| 2 | 2500 | 30,000 |
- Required:
- Calculate the fixed costs and variable costs for the periods (4 Marks)

QUESTION TWO (20 MARKS)

- a) A cash book is both a ledger and book of original entry . Discuss. (4 Marks)
- b) The accounts clerk of Mwihoko enterprises recorded the following transactions for the month of March 2018.

March 2018:

- 1- Balances brought forward : Cash sh 230
Bank shs 4756
- 2- The following paid their accounts by cheque, in each case deducting 5% discount; R. Burton 140, E. Taylor 220, R. Harris 800.
- 4- Paid rent by cheque shs 120.
- 6- J. Cotton lent us shs 1000 paying by cheque.
- 8- We paid the following accounts by cheque in each case deducting a 2.5% cash discount; N. Black shs 360, P. Tower shs 480, C. ROWSE 300.
- 10- Paid motor expenses in cash 44.
- 12- H. Harris paid his account of shs 77, by cheque shs 74, deducting shs 3 cash discount.
- 15- Paid wages in cash shs 160.
- 18- The following paid their accounts by cheque, in each case deducting 5% cash discount; C. Winston shs 260, R. Wilson shs 340, H. Winter shs 460.
- 21- Withdrew cash from the bank shs 350 for business use.
- 24- Cash drawings shs 120.
- 25- Paid T. Briers his account shs 140, by cash shs 133 having deducted shs 7 cash discount.
- 29- Bought fixtures paying by cheque shs 650.
- 31- Received commission by cheque shs 88.

Required: Prepare a three column cash book and balance it off.

(12 Marks)

- c) Outline four users of accounting information

(4 Marks)

QUESTION THREE (20 MARKS)

- a) Budgetary control can be operated even without the adoption of standard costing.

Required:

Explain both budgetary control and standard costing and show how the former is not dependent on the latter. (8 Marks)

- b) The opening cash balance on 1 January was expected to be sh.30,000. The sales budgeted were as follows:

	sh.
November	80,000
December	90,000
January	75,000
February	75,000
March	80,000

All sales are on credit and analysis of records shows that debtors settle according to the following pattern: 60% within the month of sale, 25% the month following 15% the month following

Extracts from the purchases budget were as follows:

	sh.
December	60,000
January	55,000
February	45,000
March	55,000

All purchases are on credit and past experience shows that 90% are settled in the month of purchase and the balance settled the month after.

Wages of sh.8, 000 has to be settled in February and the company will receive settlement of an insurance claim of sh.25,000 in March. Wages of shs 15,000 are to be paid in the three months and overheads costs shs 15,000 to be paid for the three months.

Required;

Prepare a cash budget for January, February and March

(12 Marks)

QUESTION FOUR (20 MARKS)

- a) PQR Ltd provided the following information for the year ended 31/12 2023.

Direct materials	shs 150,000
Direct labour	shs 105,000
Production overheads:	
Variable	shs 45,000
Fixed	shs 75,000
Research and development:	
Fixed	shs 40,000
Variable	shs 20,000

The company produced 15,000 units and sold 10,000 units at shs 45 per unit.

Required: Prepare profit statement using absorption costing (10Marks)

- b) During the month of March, direct materials for manufacturing product Q at Komu Ltd were as follows:

-Actual price per unit	shs 6.50
-Standard quantity allowed for actual production	shs2100
-Quantity purchases	2400
- Quantity used for production	2300
-Standard price per unit	shs 6.25

Required; .Calculate

- i) Direct material price variance (5 Marks)
- ii) Direct material usage variance (5 Marks)

QUESTION FIVE (20 MARKS)

- a) Discuss the main elements of process costing (4 Marks)
- b) In the manufacture of product vitality 2000kgs of materials at kshs 5kg were supplied to process 1. Labour costs amounted to shs 3000and production overheads costs of shs 2,300, normal loss has been estimated at 10%. The actual product after process was 1750kg.

Required:

- Process 1 account (8 Marks)
- c) Explain the limitations of cost volume profit analysis (8 Marks)