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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

Date: 15th August, 2023
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 was entered in the books as shs. 89.
 - v) A discount received account was overcast by sh 200 and wages were overcast by sh 200
- Required:
Use journal entries to correct the above errors.

(10 Marks)

- b) Fill the gaps below

Assets	Liabilities	Capital
1200	900	----
10050	----	80050
-----	9885	7067
4478	-----	2345

(4 Marks)

- c) The following transactions were recorded in the books of Mr. Kariuki a business man at Gekomba market in month of July 2023
- July 2023:
- 1- Balance brought down: Cash 2500
Bank 7400
 - 2- Bought goods by cheque shs 2000.
 - 3- Cash sales shs 1800.
 - 5---Deposited kshs 2000 into the bank account
 - 6- Paid by cheque in each case cash discount received of 3% ; A. Johnshs 1,500, H. Herman shs 3000 and D. Jackson shs 1,400.

- 7- Received by cheque; in each case discount allowed 5%; B, Shaw shs 4000, B. Benard shs 3000 and J. Mathews shs 3200.
 10—Bought office furniture by cheque shs 3000.
 15—Cash drawings shs 500.
 20- Paid A.Topman shs 800 cash less 3%.
 22—Received cash from A. smith shs 1,500 less 4%.
 30---Paid wages in cash shs 1000.

Required:

Prepare a cash book, balance it off and bring balance brought forward.

(12 Marks)

d) Differentiate between:

i) Debit note and credit note

(2 Marks)

ii) Revenue expenditure and capital expenditure

(2 Marks)

QUESTION TWO (20 MARKS)

The following trial balance has been extracted from ledger of Nyamache wholesalers as at 30 June 2022

	Dr	Cr
	Sh	Sh
Sales		1,863,000
Purchases	1,210,050	
Rent, rates and insurance	89,100	
Postage and stationery	40,500	
Advertising	17,955	
Salaries and wages	356,670	
Bad debts	12,150	
Allowances for doubtful debts		4,050
Accounts receivable	163,350	
Accounts payable		87,750
Cash in hand	9,720	
Cash at bank	50,205	
Drawings	72,450	
Inventory 1 July 2021	160,650	
Motor vehicle		
• at cost	700,000	
• Accumulated depreciation 1 July 2021		280,000
Furniture and Equipment		
• At Cost	200,000	
• Accumulated depreciation 1 July 2021		38,000
Capital		810,000
	3,082,800	3,082,800

Additional Information

- i) Rent is accrued Sh 6,400
- ii) Rates have been prepaid Sh 8,100
- iii) Equipment is depreciated at 10% p. a on reducing balance basis
- iv) Motor vehicle is depreciated at 20% p.a straight line
- v) Allowance for doubtful debts is to be provided at 3% of receivable
- vi) Inventory at 30 June 2021 was Sh 182,250

Required

- i) Income statement for the year ended 30 June 2022 (10 Marks)
- ii) Statement of financial position as at 30 June 2022 (10 Marks)

QUESTION THREE (20 MARKS)

- a) Identify and explain three main differences between cash book and bank statement. (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) Highlight the errors that may not make the Trial balance not to balance (6 Marks)

QUESTION FOUR (20 MARKS)

- a) Highlight the qualities of a good accounting information. (4 Marks)
- b) Write up the following transactions in the books of S Kamau

2013

- March 1 Started business with cash Sh.100,000
- “ 2 Bought goods on credit from D. Makori Sh.29,600.
- “-----2 Cash sales shs 15,000.
- “ 3 Paid rent by cash Sh.2,800.
- “ 4 Paid Sh.100,000 of the cash of the firm into a bank account.
- “ 5 Sold goods on credit to J.Barasa Sh.5,400.
- “ 7 Bought stationery Sh.1,500 paying by cheque.
- “ 11 Cash sales Sh.4,900.
- “ 14 Goods returned by us to D. Makori Sh.1,700.
- “ 17 Sold goods on credit to K. Njeru Sh.2,900.
- “ 20 Paid for repairs to the building by cash Sh.1,800.

- “ 22 J Barasa returned goods to us Sh.1,400
 “ 27 Paid D. Makori by cheque Sh.27,900.
 “ 28 Cash purchases Sh.12,500.
 “ 29 Bought a motor vehicle paying by cheque Sh.39,500.
 “ 30 Paid motor expenses in cash Sh.1,500
 “ 31 Bought fixtures Sh.12,000 on credit from Ruai Ltd.

Required

- i) Draw the ledger accounts and balance them off (10 Marks)
 ii) Draw a trial balance (6 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. (8 Marks)

- b) Mr. Kamau has the following assets and liabilities as at 31/4/2020.

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 cheque 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 (2 Marks)
 ii) Calculate the balances of each assets , liabilities and capital as at the end of first week of May (10 Marks)