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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF BUSINESS
INFORMATION TECHNOLOGY

Date: 12th April, 2022
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) Discuss the meaning and relevance of the following terms and concepts;
- i) Neutrality (2 marks)
 - ii) Money measurement (2 marks)
 - iii) Substance over form (2 marks)
 - iv) Consistency (2 marks)
- b) A cash book is both a ledger and book of original entry. Discuss. (3 marks)
- c) The information below belongs to Mali maliltd for the month of May 2020:
May 2020
- 1- Balances brought forward : Cash shs 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 cash book and balance it off. (9 marks)

- c) The auditor of Muhoho Ltd revealed the following errors.
- A machine purchased for shs 1200 had been debited to the purchases account
 - Goods purchased from A. Burton for shs 150 were credited to the account of G. Burton .
 - An invoice from A. Smith for shs 270 was Omitted.
 - Goods sold to A. White for shs 175 were recorded in the sale book as shs 157.
 - The salaries account was over added by shs 35 and rent received also over added by shs 35.

Required:

Use journal entries to correct the above transactions.

(10 marks)

QUESTION TWO (20 MARKS)

- a) The following trial balance was extracted from the books of Mr. Mwangi as at 31st December 2018.

	DR	CR
Capital		200,000
Stock(1.1.2018)	25,000	
Plant and machinery at cost	250,000	
Motor vehicle at cost	80,000	
Provision for depreciation of plant and machinery		20,000
Provision for depreciation of motor vehicles		16,000
Purchases/sales	36,000	600,000
Returns	40,000	20,000
Wages and salaries	60,000	
Discounts	5,000	4,000
Carriage inwards	2,500	
Postage	7,500	
Carriage outwards	3,000	
Water and electricity	8,600	
Bad debts written off	1,500	
Provision for bad debts		1,000
General expenses	8,500	
Rent and rates	15,000	
Debtors	55,000	
Creditors		46,600
Cash in hand	6,000	
Cash at bank		<u>30,000</u>
	<u>957,600</u>	<u>957,600</u>

Additional information

- Closing stock was 22500
- Depreciation to be charged at 10% of cost of plant and machinery and 20% of cost motor vehicles.
- Accrued rent is 3000 and prepaid rates are 1000.
- Outstanding electricity is 600.
- Provision for bad debts is to be increased by 300.

Required:

- Prepare income statement for the year ended 31.12.2018.(10marks)
- Prepare a statement of financial position as at that date. (10marks)

QUESTION THREE(20 MARKS)

- a) Differentiate between:
- i) Personal accounts and impersonal accounts (4 marks)
 - ii) Double entry and contra entry (2 marks)
- b) The following transactions took place in the month of March 2020.
- March 2020:**
- 1- Started a business with cash 15000.
 - 2- Bought goods on credit from A.Clicks 2960
 - 3- Paid rent by cash 28
 - 4- Paid 10000 of the cash into the bank account
 - 5- Sold goods on credit to J. Simpson 540.
 - 7 Bought stationery 150 paying by cheque.
 - 11- Cash sales 490.
 - 14- Goods returned by us to A. Clicks 170.
 - 17- Sold goods on credit to P.Lutz 290
 - 20- Paid for repairs to the building by cash 180.
 - 22- J.Simpson returned goods to us 140.
 - 27- Paid A.Clicks by cheque 2790.
 - 28- Cash purchases 1250.
 - 29- Bought a motor vehicle paying by cheque 3950.
 - 30- Paid motor expenses in cash 150.
 - 31- Bought fixtures 1200 on credit from R.West.
- Required:
- i) Enter the above transactions in the ledger accounts and balance them off. (10 marks)
 - ii) Prepare a trial balance as at 31st March 2020 (5 marks)

QUESTION FOUR (20 MARKS)

- a) Define the term bank reconciliation statement. (2 marks)
- b) Discuss the main causes of differences between the balance in the cash book and the bank statement. (5 marks)
- c) Awour 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 (3 marks)
- ii) Calculate the balances of each assets , liabilities and capital as at the end of first week of May (10 marks)

QUESTION FIVE (20 MARKS)

- 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.

(10 marks)

- b) The following information was obtained from the books of D. Kamau relating to the year 2019.

2019:	shs
January 1- Balance brought forward	11500
December 31- Sales per sales day book	60850
December 31- Cash received per cash book	48950
December 31- Discount allowed per cash book	2585
December 31- Returns from customers	4565
December 31- Bad debts written off	545

Required:

Prepare a sales ledger control account

(6 marks)

- c) Discuss the purposes of control accounts.

(4 marks)