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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE CERTIFICATE IN BANKING AND FINANCE

Date: 9th December, 2024

Time: 8.30am –10.30am

CBF 021 - FUNDAMENTALS OF ACCOUNTING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) The objective of financial accounting is to provide information about the financial position and performance of an enterprise that is useful to a wide range of users in making economic decisions Discuss Any 6 objectives of financial Accounting (6 marks)
- b) The accounting cycle involves a series of steps undertaken in order to produce financial statements that help the user make decision Describe 6 Types of source Documents (6 marks)
- c) Explain 3 Purpose of using Cashbook (3 marks)
- d) Given the following trial balance for BCD Ltd for the year ended 31 December 2017 .

	D r	Cr
Sales		205,500
Purchases	129000	
Opening stock	16000	
Rent	42000	
lighting expenses	8000	
General Expenses	17000	
F&F	4800	
Debtors	148000	
Creditors		37000
Bank	14300	
cash	2800	
Drawings	14000	
capital		128000
Commissions		24000
Return inwards	4600	
Return outwards		6000
	400,500	400,500

Required:

- i) Prepare Statement of Comprehensive income for the year ended 31st December 2017 (8 marks)
- ii) Prepare Statement of financial Position for the year ended 31st December 2017 (7 marks)

QUESTION TWO (20 MARKS)

- a) Prepare Asset, Liability and Capital Accounts for Michael who had the following transactions for the month of January, 2022 (8 marks)

01/01/2022 Started business by depositing Ksh 500,000 in the bank.

02/01/2022 Purchased a Motor Vehicle paying by cheque Ksh 120,000.

05/01/2022: Purchased Fixtures & Fittings Ksh 40,000 on credit from ABC Ltd.

08/01/2022: Purchased another Motor Vehicle on credit from XYZ Ltd for Ksh 80,000.

12/01/2022: Withdrew Ksh 10,000 from the bank and put it into the cash till.

15/01/2022: Purchased extra Fixtures & Fittings paying by cash Ksh 6,000.

19/01/2022: Paid XYZ Ltd by cheque Ksh 80,000.

21/01/2022: Received a loan of Ksh 100,000 in cash from KK financiers.

25/01/2022: Deposited cash amount of Ksh 80,000 into the bank account.

30/01/2022: Purchased more Fixtures & Fittings by cheque worth Ksh 30,000.

- b) Discuss the following Accounting Concepts and Principles

- i) Going concern Concept (2 marks)
 - ii) Business Entity Concept (2 marks)
 - iii) Duality Concept (2 marks)
- c) Discuss 3 objectives of fundamentals of accounting (6 marks)

QUESTION THREE (20 MARKS)

- a) The following transactions relate to Jasho Enterprises. Enter the transactions in the relevant books of original entry and show the postings made in the general ledger.

1/10/2021 Credit purchases from: Martin Sh. 38,000; Mark Sh. 5,000; Mike Sh. 1,060.

3/10/2021 Credit sales to: Rick Sh. 5,100; Raps Sh. 2,460; Rachael Sh. 3,560.

5/10/2021 Credit purchases from: Matthew Sh. 2,000; Mabel Sh.1,800 ; Marshal Sh. 4,100; Michael Sh.660.

8/10/2021 Credit sales to: Stephen Sh. 3,070; Stella Sh. 2,500; Samuel Sh. 1,850.

12/10/2021 Returns outwards to: Mark Sh. 300; Mike Sh. 160.

14/10/2021 Returns inwards from: Raps Sh. 180; Rachael Sh. 220.

20/10/2021 Credit sales to: Raps Sh. 1,880; Shakes Sh. 3,100; Slim Sh. 4,200.

24/10/2021 Credit purchases from: Peter Sh. 5,500; Patrick Sh. 9,000.

31/10/2021 Returns inwards from: Raps Sh. 270; Rick Sh. 300.

31/10/2021 Returns outwards to: Mabel Sh. 130; Michael general ledger Sh. 110.

Required:

Enter the transactions in the relevant books of original

- i) Sales Day Book (3 marks)
- ii) Purchases Day Book (3 marks)
- iii) Return Inward journals and Return outward journals (4 marks)
- b) Presence of these errors is not revealed by the trial balance because the debit side and the credit side of the trial balance appear to be balancing at a common amount Explain 5 types of errors that does not affect trial balance (5 marks)
- c) Define the following as used in the statement of financial position
 - i) Assets (2 marks)
 - ii) Capital (2 marks)
 - iii) Liability (1 mark)

QUESTION FOUR (20 MARKS)

- a) The following details belong to JJ Wholesalers Prepare a two-column cashbook for the month ending March, 2022. (8 marks)

01/03/2022: Started business with capital inform of cash Sh. 100,000.
02/03/2022: Paid rent by cash Sh 10,000.
03/03/2022: Received Loan of Sh 500,000 via cheque from Barclays bank.
04/03/2022: Paid Kenya Motors Sh 65,000 by cheque.
05/03/2022: Made Cash sales of Sh 98,000.
07/03/2022: Nathan a debtor paid us by cheque Sh 62,000.
09/03/2022: Paid Bakes Ltd in cash Sh 22,000.
11/03/2022: Made cash sales paid directly into the bank for Sh 53,000.
15/03/2022: Gilbert paid us in cash Sh 65,000.
16/03/2022: Took Sh 50,000 out of the cash till and deposited it into the bank account.
19/03/2022: Made loan repayment of Sh 100,000 by cheque to Barclays Bank
22/03/2022: Made cash sales paid directly into the bank for Sh 66,000.
26/03/2022: Paid motor expenses by cheque Sh 12,000.
30/03/2022: Withdrew Sh 100,000 cash from the bank for business use.
31/03/2022: Paid wages in cash for Sh 97,000.

- b) Describe Steps used in Accounting Cycles (6 marks)
c) Explain 3 Fundamental characteristics of Accounting Information (6 marks)

QUESTION FIVE (20 MARKS)

- a) State the rules of double entry. (4 marks)
b) The following information is available for Kings Enterprises as at 31 December 2022

	Shs
Motor vehicle	250,000
Creditors	90,000
Loan	100,000
Debtors	140,000
Furniture and Equipment	195 ,000
Cash in hand	5,000
Cash at Bank	104,000
Stock	105,000
Capital	??

- i) Using the accounting equation calculate the value of capital (4 marks)
ii) Prepare statement of financial position (6 marks)
c) Identify THREE external users of financial accounting and explain how financial statements are useful to them (6 marks)