



KISII UNIVERSITY
UNIVERSITY EXAMINATIONS

**FIRST YEAR EXAMINATION FOR THE AWARD OF THE
DEGREE OF BACHELOR OF HUMAN RESOURCE MANAGEMENT
SECOND SEMESTER, 2024/2025
(JANUARY-APRIL, 2025)**

BINM 130: ACCOUNTING FOR BUSINESS

STREAM: Y1 S2

TIME: 2 HOURS

DAY: TUESDAY, 09:00-11:00 AM

DATE: 08/04/2025

INSTRUCTIONS

- 1. Do not write anything on this question paper.**
- 2. Answer Question ONE (Compulsory) and any other THREE Questions.**

QUESTION ONE (COMPULSORY) (25Marks)

- a) Briefly explain the meaning of the following terms as used in accounting:
 - i) Journal [2marks]
 - ii) Trial balance [2marks]
- b) Briefly describe the following accounting concepts:
 - i) The historical cost concept [2marks]
 - ii) The duality concept [2marks]
- c) Identify any three users of accounting information and explain why they need that information. [6marks]
- d) Explain the purpose of a sales ledger control account. [2marks]
- e) Bamboo Enterprises carried out the following transactions:
 - January 1 Paid sh 10,000 as rent for January.
 - 4 Bought goods from Otieno for cash sh 120,000 and credit sh 40,000.
 - 5 Sold goods for cash sh 48,000 and sh 4,000 on credit to John.
 - 7 Owner withdrew cash sh 5,000 for personal use.
 - 8 Paid Otieno on account sh 10,000.
 - 10 Received sh 4,000 from John on account.

Required:

- i) Prepare journal entries for the transactions. [6marks]
- ii) Post entries to the cash account . [3 marks]

QUESTION TWO (15 MARKS)

The following are ledger account balances from the books of Fig Traders on 31.12.2022:

	Sh
Capital	6,000,000
Drawings	850,000
Stock at 1.1.2022	2,460,000
Purchases	4,080,000
Carriage inwards	420,000
Carriage outwards	205,000
Sales	21,100,000
Debtors	2,540,000
Creditors	1,600,000
Salaries and wages	4,200,000
Electricity and water	112,000
Insurance expenses	145,000
Furniture and fittings (at cost)	1,200,000
Machinery (at cost)	3,200,000
Provision for bad debts	120,000
Other expenses	610,000

The following adjustments need to be made:

- i) Stock on 31.12.2022 was valued at sh 3,240,000.
- ii) Sh 280,000 is to be written off as bad debts.
- iii) Provision for bad debts is to be maintained at 5% of debtors.
- iv) Machinery is to be depreciated at 20% and furniture and fittings at 10% of cost.

Required:

Prepare an income statement for Fig Traders for the year ended 31.12.2022. [15 marks]

QUESTION THREE (15 MARKS)

- a) Financial statements do not say everything about a business. Discuss any three limitations of accounting. [6marks]
- b) The following is transaction information of Faulu Ltd for the month of April 2021.

	Sh
Sales ledger debit balances 1.7.2020	303,040
Total cheque receipts from customers	1,165,440
Total cash receipts from customers	197,760
Total credit sales for the month	1,646,400
Total returns inwards	47,360
Sales ledger debit balances 31.04.2021	538,880

Required:

Prepare a sales ledger control account as at 31.04. 2021. [9marks]

QUESTION FOUR (15 MARKS)

The following balances are extracted from the books of Magogo Traders as at 31.12.2023.

	Sh
Stock at 1.1.2023	380,000
Purchases	1,800,000
Carriage inwards	60,000
Carriage outwards	40,000
Sales	3,960,000
Debtors	330,000
Creditors	125,000
Wages	280,000
Electricity and water	12,000
Rates	70,000
Cash at hand	246,000
Cash at bank	54,000
Notes receivable	56,000
Notes payable	75,000
Furniture and fittings (net book value)	80,000
Buildings (net book value)	600,000
Vehicle (net book value)	400,000
Land	200,000
Provision for bad debts 1.1.2023	15,000
Drawings	185,000
Other expenses	152,000
Capital 1.1.2023	1,000,000

The following adjustments are needed:

- i) Stock as at 31.12.2023 was sh 320,000.
- ii) Sh 33,000 was to be written off as bad debts.

- iii) Provision for bad debts is maintained at 10% of the balance of debtors.
- iv) Depreciation is charged as a percentage of net book value: 10% for furniture and fittings, 10% for vehicles and 5% for buildings.
- v) Prepaid rates were sh 200,000.
- vi) Profit for the year was sh. 1,310,300.

Required:

Prepare a balance sheet for the trader as at 31.12.2023. [15marks]

QUESTION FIVE

a) Explain three errors that can be disclosed by the trial balance. [3marks]

b) The following are balances from various ledger accounts of Kisii Traders as at 31st December 2019. Prepare a trial balance for Kisii Traders as at that date.

[12marks]

Capital	900,000
Purchases	240,000
Cash in hand	42,000
Cash at bank	50,500
Electricity expense	28,400
Stationery	3,000
Office equipment	14,400
Sundry debtors	48,000
Machinery	960,000
Salaries	68,400
Sales	632,400
Sundry creditors	30,000
Rent	12,000
Furniture	96,000
Bank loan	60,000
Investment	36,000
Commission paid	6,300
Closing stock	12,000
Postage	4,500