



# KISII UNIVERSITY

## UNIVERSITY EXAMINATIONS

### FIRST YEAR EXAMINATION FOR THE AWARD OF THE DIPLOMA IN FINANCIAL ACCOUNTING

#### FIRST SEMESTER 2023/2024

[AUGUST-DECEMBER, 2023]

#### DBAD 0111: FINANCIAL ACCOUNTING

**STREAM: Y1 S1**

**TIME: 2 HOURS**

**DAY: THURSDAY, 9.00 – 11.00 A.M.**

**DATE: 30/11/2023**

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#### INSTRUCTIONS

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

#### **QUESTION ONE**

- a) The following trial balance was extracted from the books of Boones company limited for the year ended 30 September 2014,

	Dr	Cr
	shs	shs
Stock 1 October 2014	23,680	
Carriage outwards	2,000	
Carriage inwards	3,100	
Returns inwards	2,050	
Returns outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures and fittings	3,500	
Debtors	38,960	

Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital		126,360

**Additional information.**

The stock as at 30<sup>th</sup> of September 2014 was valued at shs. 29,460

Required,

- (i) prepare a statement of financial performance, (7 marks)
- (ii) statement of financial position as at that date, (6 marks)
- b)** Highlight three purposes of Control accounts, (3 marks)
- c)** Briefly explain five roles played by accounting regulatory bodies in your country. (5marks)
- d)** Briefly explain the limitations of financial information (4 marks)

**QUESTION TWO**

- a.** Discuss the users of accounting information clearly indicating their information needs (10marks)
- b.** G-Motors limited purchased an asset at shs.1,260,000 from GSM manufacturers, it is their policy to depreciate equipments on a 20% reducing balance method and full year's depreciation is provided for on the year of purchase and non in the year of disposal,  
Required prepare a depreciable amount for the next five years, (5 marks)

**QUESTION THREE**

- a.** Explain the meaning of the following types of errors;
  - i. Error of omission. (2 marks)
  - ii. Error of commission. (2 marks)
  - iii. Error of principle. (2 marks)
  - iv. Compensating error. (2 marks)
- b.** Explain the qualities of good accounting information (4 marks)
- c.** What is a trial balance (3 marks)

#### QUESTION FOUR

The following transactions took place at Keromatt ltd during the period March 2014.

2014

- Mar 1 Balances brought forward: Cash shs.230; Bank shs.4, 756.  
“ 2 The following paid their accounts by cheque, in each case deducting 5 percent discount: R Burton shs.140; E Taylor shs.220; R Harris shs.800.  
“ 4 Paid rent by cheque shs.120.  
“ 6 J Cotton lent us shs.1, 000 paying by cheque.  
“ 8 We paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: N Black shs.360; P Towers shs.480; C Rowse shs.300.  
“ 10 Paid motor expenses in cash shs.44.  
“ 12 H Hankins pays 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 per cent cash discount: C Winston shs.260; R Wilson & Son shs.340; H Winter shs.460.  
“ 21 Cash withdrawn from the bank shs.350 for business use.  
“ 24 Cash Drawings shs.120.  
“ 25 Paid T Briers his account of 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 for the period march 2014.

(15marks)

#### QUESTION FIVE

- a. Explain briefly the treatment of the following accounting terms, accrued income and accrued expense, prepaid income and prepaid expense. (10 marks)
- b. Citing relevant examples distinguish between provisions and reserves as used in financial accounting. (5 marks)

## QUESTION SIX

Moody has the following assets and liabilities as on 31 April 2015:

	shs.
Creditors	15,800
Equipment	46,000
Motor Vehicle	25,160
Stock	24,600
Debtors	23,080
Cash at bank	29,120
Cash in hand	160

During the first week of May 2015 Moody:

- Bought extra equipment on credit for shs.5, 520.
- Bought extra stock by cheque shs.2, 280.
- Paid creditors by cheque shs.3, 160.
- Debtors paid shs.3, 360 by cheque and shs.240 by cash.
- Moody put in extra shs.1, 000 cash as capital.

### Required:

- Determine the capital as at 1<sup>st</sup> May 2015. (7 marks)
- Draw up a statement of financial position after the above transactions have been completed (8 marks)