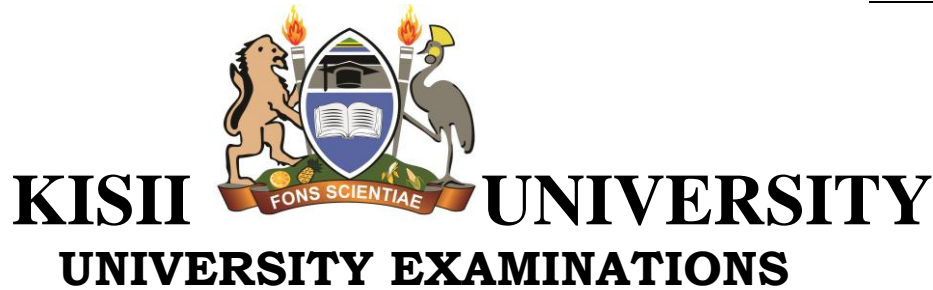


DIAF 0115



**SECOND YEAR EXAMINATION FOR THE AWARD OF THE
BACHELORS DEGREE IN BUSINESS MANAGEMENT/COMMERCE
FIRST SEMESTER 2023/2024
[AUGUST-DECEMBER, 2023]**

DIAF 0115: FINANCIAL ACCOUNTING

STREAM: Y1 S1

TIME: 2 HOURS

DAY: _____

DATE: _____

INSTRUCTIONS

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

QUESTION ONE :(25 MARKS)

a) Define the following terms as used in financial accounting:

- | | |
|--------------------------|----------|
| i) Depreciation | (2marks) |
| ii) Provision | (2marks) |
| iii) Capital expenditure | (2marks) |
| iv) Revenue item | (2marks) |
| v) Disposal | (2marks) |

- b) Omanga started a business on 1st January 2022 as an investment consultant and his transactions for the first two months are listed below:
- Jan. 1 Transferred her car valued at KSH.84000 to the business.
 - Jan.12 Purchased stationery on credit from SUNSHINE ltd worth KSH. 13500

Jan 15 Received a consultancy fee of ksh. 12000 by bank transfer from a client.

Jan. 20 Paid motor expenses of ksh. 8000 by cheque.

Jan. 26 Drew ksh. 3000 from bank for business use.

Feb. 4 Invoiced Calcol ksh.10000 for work done.

Feb.14 Paid SUNSHINE ltd ksh.5000

Feb. 25 Drew from the bank ksh.3500 for personal use

Required:

Draw up the ledger accounts for the period covered, balancing them off at the end of each month. (15marks)

QUESTION TWO :(15 MARKS)

Ouru discount a sole proprietor dealer in plastics recorded the following transactions in the month of December, 2022 as shown below:

December,4 purchased goods on credit ksh 15000 from Africa seamier ltd

December,6 sold goods to kimbo traders ksh. 5000 on credit

December,12 paid by cheque ksh 5000 to Africa seamier ltd

December,20 purchased goods by cheque ksh.20000

December,28 sold goods in cash ksh 17000

Required

Record the Ouru discount sole proprietor's transactions in a journal to reflect how the transactions were to be recorded in the ledger. (15marks)

QUESTION THREE :(15 MARKS)

Define a trial balance and briefly discuss the content of a trial balance (3marks)

Discuss the errors that can be committed in a trial balance. (12marks)

QUESTION FOUR :(15 MARKS)

Double entry concept is widely used in accounting, using a suitable example elucidate its meaning. (3marks)

Broadly discuss the fundamental principles of accounting. (12marks)

QUESOTION FIVE (15 MARKS)

Transaction	Amount (Ksh.)
Sales	50000
Purchases	100000
Returns inwards	10000
Returns outwards	5000
Drawings of goods	4000
Telephone expenses	5000
Maintenance expenses	3000
Bad debts written off	6000
Rent expenses	7000

Lion Traders had the following information for the period ended 31st Dec 2022

Additional information

Rent in arrears at the end of the year was Ksh.2000 while telephone expenses pre-paid was Ksh.1000. The closing stock was valued at Ksh.30000 while opening stock amounted to Ksh.20000.

Required

Prepare an income statement for the year ended 31st-DEC-2022