



**KISII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**SECOND YEAR EXAMINATION FOR THE AWARD OF THE**  
**DIPLOMA IN ACCOUNTING AND FINANCE**  
**FIRST SEMESTER 2023/2024**  
**[AUGUST-DECEMBER, 2023]**

**DIAF 0216: ACCOUNTING FOR ASSETS AND LIABILITIES**

**STREAM: Y2 S1**

**TIME: 2 HOURS**

**DAY: FRIDAY, 3.00 – 5.00 P.M**

**DATE: 01/12/2023**

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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. Briefly write short notes on the following terms and state their applications:

- |                     |           |
|---------------------|-----------|
| i) Nominal accounts | (2 marks) |
| ii) Real accounts   | (2 marks) |
| iii) Leger          | (2 marks) |

b. Categorically give the distinctive features of assets and liabilities(6marks)

c. Write up a three column cashbook for Mr Omondi from the details given below and then balance off the cashbook at the end of the month and show the discount accounts in the general ledger.

2020

May 1, Balance b/f Cash Sh 25,000  
Bank Sh 74,000

May 2 Bought goods by cheque ksh 20,000

May 4 Cash sales sh 18,000

May 7 Banked cash sh 20,000

May 12 Paid by Cheque in each case cash discount received 3%

A John sh 15,000, H Hosman sh 30,000, D Jane sh 14,000

May 13 Received by cheque, in each case discount allowed 5%

B Shaw Sh 40,000, B Benham Sh 30,000 and J Martin

32,000

May 15, bought office furniture by cheque sh 30,000

May 16, Cash drawing sh 5,000

May 17, Paid Adleman sh 8,000 cash less 3%

May 21, Received cash from A Hesbon sh 15,000 less 4%

May 30, Paid wages in cash Ksh 10,000

**Required**

- i. Three column cashbook (9marks)
- ii. Discount accounts (4marks)

**QUESTION TWO**

a. On 30<sup>th</sup> April 2022, the balance for at bank as shown by cash book was shs25,370, while the bank statement showed a credit balance of shs 25,670. When cross examination was done on the bank statement and the cashbook, the following discrepancies were noted

- i. Cheques not presented for payment shs 12,340
- ii. Cheques paid into bank but not credited by the bank shs12,160
- iii. Bank charges of sh 240 were shown in the bank statement but not entered in the cash book
- iv. Standing order of sh 460 was shown in the bank statement but not entered in the cash book
- v. Dividend collected by the bank of sh 820 was shown in the bank statement but not entered in the cash book

**Required**

- i) Adjusted Cashbook (4marks)
- ii) Bank Reconciliation Statement (5marks)

b. State the following terms as used in Assets and Liability accounting:

- i. Direct expense (2marks)
- ii. Gross Profit (2marks)
- iii. Depreciation (2marks)

### **QUESTION THREE**

On 1<sup>st</sup> January 2008 Kisii University purchased three motor vehicle at Shs 108,000 each. The useful life of these vehicles was estimated to be five years with a disposal value of sh 8,000 for each vehicle. The university's policy is to use a fixed installment method of depreciation.

On of the motor vehicle was damaged in an accident and was sold on 1<sup>st</sup> January 2010 for sh 45,000.

Required

- a) Motor vehicles accounts (5marks)
- b) Motor vehicles disposal account (5marks)
- c) Provision for depreciation on motor vehicles accounts (5marks)

### **QUESTION FOUR**

- a) On 1<sup>st</sup> July 2007, Kamau purchased a second hand carwash machine for Ksh 18,000 and Spent Ksh 2,000 to repair and install it. On 30<sup>th</sup> June 2010 he disposed off the machine for a sun of Ksh 13,600. Assuming the books are closed on 31<sup>st</sup> Dec each year and taking rate of depreciation at 10% p.a on diminishing balance, show the machinery account. (5mks)
- b) Differentiate between the following methods of calculating depreciation;
  - i. fixed installment, (2marks)
  - ii. Reducing balance and, (2marks)
  - iii. re-valuation (2marks)
- c) The following are some ledger balances taken out from the trial balance of S. Mwangi on 31<sup>st</sup> December 2009.
  - stock on 1-1-2009 sh60,000
  - purchases Sh 360,000
  - Carriage Inwards Shs 24,000
  - Custom Duty Shs 12,000
  - Returns Outwards Shs 16,000
  - Returns Inwards Shs 30,000

Sales Shs 500,000

The closing stock is valued at shs 100,000.

Required: Prepare a trading account for the year ended 31<sup>st</sup> December 2009. Allow show the journal entries to close the above account

P(4marks)

### **QUESTION FIVE**

- a. The gross profit of A Smith for the year ended 31<sup>st</sup> December 2009 is shs 11,000. The following are additional information about his expenses

wages and salaries shs 2,500; rent and rates shs 1,800; postage and telephone shs 500; printing and stationaries shs 800 and rent received shs 600.

Prepare his Profit and Loss Account. (5marks)

- b. Mr Lewis started a business on 1<sup>st</sup> July 2022 when he pays Ksh 18,000 into a business account. During the month of July, he undertook the following transactions:-

#### **2022**

July 3 He purchased shop fittings for Sh 2,500 in cash  
4 Bought motorvehicle from AB& Co on credit Sh.3,000  
6 Bought Stock for Sh 1,500 in cash  
8 Sold goods for cash Sh,1,000  
10 Bought goods on credit from XY & Co for Sh.1,200  
12 Sold goods to A. Smith for Sh 900 on credit  
13 Paid wages Sh 120  
15 Paid to AB & Co Sh 3,000  
21 Received from A Smith a Cheque of Sh 900  
25 Sold goods for cash Sh 300  
30 Paid General expenses Sh 80  
31 Drawn Sh 50 out of business for his Personal use.

Required

- i) Balanced Ledger accounts (6marks)  
ii) Trial Balance as as 31<sup>st</sup> July 2022 (4marks)