



GARISSA UNIVERSITY

UNIVERSITY EXAMINATION **2017/2018** ACADEMIC YEAR **ONE**
SECOND SEMESTER EXAMINATION

SCHOOL OF COMPUTER AND INFORMATION SCIENCE
FOR THE DIPLOMA INFORMATION TECHNOLOGY

COURSE CODE: DIT 031

COURSE TITLE: FINANCIAL ACCOUNTING

EXAMINATION DURATION: 3 HOURS

DATE: 13/04/18

TIME: 09.00-12.00 PM

INSTRUCTION TO CANDIDATES

- The examination has **SIX (6)** questions
- Question **ONE (1)** is **COMPULSORY**
- Choose any other **THREE (3)** questions from the remaining **FIVE (5)** questions
- Use sketch diagrams to illustrate your answer whenever necessary
- Do not carry mobile phones or any other written materials in examination room
- Do not write on this paper

This paper consists of **FOUR (4)** printed pages

SEM II, 17/18 main exam (06/04-19/04/18)

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please turn over

Good Luck – Exams Office



QUESTION ONE (COMPULSORY)

- (a) The preparation of financial statements are guided by the accounting concepts. Discuss each of the following concepts
- i. substance over form [2 marks]
 - ii. Business entity [2 marks]
 - iii. Accrual [2 marks]
 - iv. Consistency [2 marks]
 - v. Matching [2 marks]
- (b) The following information was extracted from the books of bulamzuri traders on 31/12/2016

	KSHS
Buildings	11,000
Furniture & Fittings	5,500
Motor Vehicles	5,800
Stocks	8,500
Debtor	5,600
Cash a bank	1,500
Cash in hand	400
Creditors	2,500
Loan	5,000

Required;

- i. Using the Balance Sheet equation determine the value of as at 31 December 2016 [10 marks]
- (c) briefly discuss any FIVE source documents which may be used in a business [5 marks]

QUESTION TWO

- (a) Explain the qualities of a good accounting information [5 marks]
- (b) The following information were obtained from the books of Biashara a business man in Garissa town.

2018

- Jan 1 started a business with shs 50,000 in the bank.
- “ 2 Bought motorvan paying by cheque shs 20,000
- “ 5 Bought fixture shs 4,000 on credit from Office masters ltd.
- “ 8 computers on credit from complink Ltd shs 8,000
- “ 12 Took kshs 1,000 out of the bank and put it into cash till.
- “ 15 Bought fixtures paying by cash shs 600
- “ 19 Paid complink Ltd by cheque kshs 8000
- “ 20 Received a loan shs 10,000 cash from Abdulahi



“ 25 Paid shs 8000 Of the cash in hand into the bank account

Required

- ii. Write up the necessary ledger accounts in the books of Biashara [10 marks]

QUESTION THREE

The information given bellow was extracted from the records of Birika traders in the year 2017

- July 1 Credit purchases from: K Hill £3800; M Norman £500; N Senior £106.
“ 3 Credit sales to: E Rigby £510; E Phillips £246; F Thompson £356.
5 Credit purchases from: R Morton £200; J Cook £180; D Edwards £410; C Davies £66.
“ 8 Credit sales to: A Green £307; H George £250; J Ferguson £185.
“ 12 Returns outwards to: M Norman £30; N Senior £16.
“ 14 Returns inwards from: E Phillips £18; F Thompson £22.
“ 20 Credit sales to: E Phillips £188; F Powell £310; E Lee £420.
“ 24 Credit purchases from: Ferguson £550; K Ennevor £900.
“ 31 Returns inwards from: E Phillips £27; E. MRigby £30.
“ 31 Returns outwards to: J Cook £13; C Davies £11.

Required;

- i. Post the above transactions in the general journal [9 marks]
ii. Explain THREE different methods that can be used to calculate depreciation [5 marks]

QUESTION FOUR

Accounting information is very important in decision making. Discus in detail the different users of accounting information and how useful the information is to them [15 marks]

QUESTION FIVE

Given the following information from Mugabe enterprise

1. Extra capital of £ 10,000 paid into the bank had been credited to Sales account.
2. Goods taken for own use £ 700 had been debited to General Expenses.
3. Private insurance £ 89 had been debited to Insurance account.
4. A purchase of goods from C Kelly £ 857 had been entered in the books as £ 587.
5. Cash banked £ 390 had been credited to the bank column and debited to the cash column in the cashbook.
6. Cash drawings of £ 400 had been credited to the bank column of the cashbook.
7. Returns inwards £ 168 from M McCarthy had been entered in error in J Charlton’s account.
8. A sale of a motor van £ 1,000 had been credited to Motor Expenses.



Required

- i. Correct the error using journal entries

[15 marks]

QUESTION SIX

D Moody has the following assets and liabilities as on 31 April 2002:

	£
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 2002 Moody:

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

Required:

- i. Determine the capital as at 1st May 2016
- ii. Draw up a balance sheet after the above transactions have been completed. **[15 marks]**

