



## GARISSA UNIVERSITY

UNIVERSITY EXAMINATION **2017/2018** ACADEMIC YEAR **ONE**  
**THIRD** TRIMESTER EXAMINATION

SCHOOL OF BIOLOGICAL AND PHYSICAL SCIENCE  
FOR THE DIPLOMA IN INFORMATION TECHNOLOGY

COURSE CODE: DIT 031

COURSE TITLE: FINANCIAL ACCOUNTING

EXAMINATION DURATION: 3 HOURS

**DATE: 10/08/18**

**TIME: 2.00-5.00 PM**

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### 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 **TWO (2)** printed pages

*please turn over*



**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 bula mzuri 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;**

Using the Balance Sheet equation determines 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 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

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;**

Post the above transactions in the general journal **[9 marks]**

b) Explain THREE different methods that can be used to calculate depreciation **(5 marks)**

**QUESTION FOUR**

a) Accounting information is very important in decision making. Discuss 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

- a) Extra capital of £ 10,000 paid into the bank had been credited to Sales account.
- b) Goods taken for own use £ 700 had been debited to General Expenses.
- c) Private insurance £ 89 had been debited to Insurance account.
- d) A purchase of goods from C Kelly £ 857 had been entered in the books as £ 587.
- e) Cash banked £ 390 had been credited to the bank column and debited to the cash column in the cashbook.
- f) Cash drawings of £ 400 had been credited to the bank column of the cashbook.
- g) Returns inwards £ 168 from M McCarthy had been entered in error in J Charlton's account.
- h) A sale of a motor van £ 1,000 had been credited to Motor Expenses.

**Required**

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:

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

**Required:**

- a. Determine the capital as at 1<sup>st</sup> May 2016
- b. Draw up a balance sheet after the above transactions have been completed. **[15 marks]**

