



Riara School of Business
Nurturing business innovators

JANUARY APRIL 2024 TRIMESTER
EXAMINATION FOR DIPLOMA IN BUSINESS ADMINISTRATION/DBIT/DPCSM
DAY PROGRAMME

RBM 014: BASICS OF FINANCIAL ACCOUNTING

DATE: APRIL 2024

TIME: 2 HOURS

GENERAL INSTRUCTIONS:

Students are NOT permitted to write on the examination paper during reading time.
This is a closed book examination. Text book/Reference books/notes are not permitted.

SPECIAL INSTRUCTIONS:

- 1 Write your REGISTRATION NO. Clearly on the answer booklet(s).
- 2 Answer Question One and ANY other TWO questions.
- 3 Questions in all sections should be answered in answer booklet(s).
- 4 Marks allocated to each question are shown at the end of the question.
- 5 PLEASE start the answer to EACH question on a NEW PAGE.
- 6 For the questions, write the number of the question on the answer booklet(s) in the order you answered them.
- 7 Write your answers in paragraph form unless stated otherwise.
- 8 Keep your phone(s) SWITCHED OFF at the front of the examination room.
- 9 Keep ALL bags and caps at the front of the examination room and do not refer to any unauthorized material before or during the course of the examination.
- 10 You are only allowed to leave the examination room 30minutes to the end of the Examination.

QUESTION ONE (COMPULSORY – (30 MARKS))

- a) The following trial balance was extracted from the books of Omari Retailers on 31st December 2023:

	DR (Shs)	CR (Shs)
Purchases	2,214,500	
Sales		3,847,750
Inventory (1 st January 2023)	587,000	
Capital		1,875,750
Bank Balance	500,250	
Cash Balance	60,750	
Discount Allowed	108,000	
Discount received		69,750
Returns	60,750	46,000
Carriage outwards	162,000	
Carriage Inwards	200,000	
Rent	130,500	
Provision for bad and doubtful debts		60,500
Equipment	150,000	
Provision for depreciation: equipment		30,000
Motor vehicle	1,000,000	
Provision for depreciation: Motor vehicle		160,000
Debtors	893,250	
Creditors		954,000
Drawings	216,000	
Wages and Salaries	570,500	
General Office Expenses	40,750	
Bad debts	200,000	
Rent received		150,000
	7,194, 250	7,194,250

Additional information:

On 31st December 2023

- i. Inventory was valued at sh.550,000
- ii. Wages and salaries accrued was sh.90,500
- iii. Prepaid rent amounted to sh.60,000
- iv. Depreciation expense to be calculated using reducing balance method
 - Equipment 12%
 - Motor vehicle 15%
- v. Provision for bad and doubtful debts is provided for at 20% of debtors balance.

Required:

- i.) Comprehensive Income statement for the year ended 31stDecember 2023.

(10 marks)

ii.) Statement of financial position for the year ended 31st December 2023. **(8marks)**

b) Explain **four** qualitative characteristics of good financial information **(8 marks)**

c) Explain **four** importance of general ledgers to an organization **(4 marks)**

QUESTION TWO

a) On Jan 2024 Mathew traders had cash in hand sh. 300,500 and cash at bank sh. Credit balance of Sh.625,000. During the month the following transactions took place.

Jan 2 Sold goods for cash sh. 125,000.

Jan 2 Sold on credit sh. 100,000 to Vicky

Jan 3 Paid insurance by cheque sh.253, 750.

Jan 4 Purchased goods on credit sh. 50,000 from Muthoni

Jan 6 received a cheque for sh. 192,000 from Wairimu after allowing her a discount of 3.5% (All amounts are pre-discount).

Jan12 Bought stationery by cheque sh.60,000.

Jan 16 Settled Mamba's account of sh. 100,000 in cash having deducted 3.5% cash discount ((All amounts are pre-discount).

Jan 18 Received a cheque for sh. 500,000 in respect of cash sales.

Jan 21 Paid wages sh. 60,000 in cash.

Jan 22 Withdrew sh 75,000 from bank for office use.

Jan 25 withdrew sh. 50,500 cash for private use.

Jan 28 Received rent from sublet premises sh. 50,000

Jan 28 Received sh. 41,250 cash from Duncan in settlement of his account, less 4.5% cash discount (All amounts are pre-discount).

Jan 30 Bought goods worth sh.120, 000 on credit from Mary

Jan 31 deposited all the money into the bank except sh. 62,500.

Required:

Prepare a **three-column** cash book duly balanced. **(12 Marks)**

b) Describe **two** differences between straight line and reducing depreciation method **(4 marks)**

(i) Straight method

(ii) Reducing balance method

c) Explain the following accounting concepts

i. Double entry concept **(1 mark)**

ii. Matching concept **(1 mark)**

iii. Going concern concept **(1 mark)**

iv. Prudence concept **(1mark)**

QUESTION THREE

- a) Explain **five** steps of accounting cycle from the beginning to the end **(10marks)**
- b) Explain **five** errors that do not affect the balancing of the trial balance **(10 marks)**

QUESTION FOUR

- a) Carl A started business on 1st January 2024, with a capital of Shs.1,500,0000 paid into the business bank account. The following were the transactions for the month of January

Jan 2: withdrew sh. 200,000 from Bank account for business use

Jan 3: paid rent for the month of January sh. 100,000 by cheque

Jan 3: He purchases furniture and fittings Shs. 50,000 and pays cash

Jan 4: He buys a motor vehicle from ABC at Sh1,000, 000 pays by cheque

Jan 6: Bought goods for Sh. 150,000 and pays cash

Jan 8: Sold goods for cash Shs.100, 000

Jan 10: Bought goods on credit from Shalom for Shs.120, 000

Jan 12: Sold goods to John for Shs.90,000 on credit basis

Jan 15: Paid Salaries Shs. 120,000 by cheque

Jan 15: Makes a payment to Shalom Shs.60, 000 through the bank

Jan 21: Receives from John a cheque for Shs.90, 000

Jan 30: Pays general expenses Shs.10, 000 cash

Jan 30: Received a bank loan sh. 300,000 from First Bank Limited

Jan 31: Paid electricity for the month of July sh. 5,000 by cash

Jan 31: Draws cash Shs.100, 000 from bank account for personal use

Required

Prepare journal entries for the month of January 2024 **(14 Marks).**

- b) Explain **three** differences between financial accounting and management accounting **(6 marks)**

