



**Riara School of Business**  
*Nurturing business innovators*

**SEPTEMBER- DECEMBER TRIMSTER, 2022**  
**DAY PROGRAMME**  
**EXAMINATION FOR DIPLOMA IN BUSINESS ADMINISTRATION/ INFORMATION**  
**TECHNOLOGY AND PROCUREMENT AND SUPPLY CHAIN MANAGEMENT**  
**RBM 014: BASICS OF FINANCIAL ACCOUNTING**

**DATE: 1<sup>ST</sup> DECEMBER 2022**

**TIME: 2**

**HOURS**

**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. PLEASE start the answer to EACH question on a NEW PAGE.
5. For the questions, write the number of the question on the answer booklet(s) in the order you answered.
6. Write on both sides of each leaf and indicate number of each question at the top of each page.
7. Write the answers in paragraph form unless stated otherwise.
8. Marks allocated to each question are shown at the end of the question.
9. All rough work must be done on the answer booklet and crossed through!
10. Use supplementary pages only when you have exhausted those in this booklet.

11. Fasten the supplementary pages to the inside back cover of this booklet.

**QUESTION ONE**

(a) Define the term ‘accounting cycle’ **(2 Marks).**

(b) Differentiate between the following terms:

- i. Discount allowed and discount received **(2 Marks).**
- ii. Carriage inward and carriage outwards **(2Marks).**
- iii. Return inwards and return outwards **(2 Marks).**
- iv. Prepaid expense and accrued expense **(2 Marks).**

(c) The information above was extracted from the books of Uwezo sole proprietor business for the year ended 31<sup>st</sup> December 2021

	DR	CR
PARTICULARS	Shs.	Shs.
Opening inventory	23,680	
Carriage outwards	2,000	
Carriage inwards	3,100	
Sales return	2,050	
Purchases returns		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance expense	780	
Office expense	6,640	
Lighting and heating expense	2,160	
General expenses	1,660	
Building	42,100	
Motor vehicles	50,000	
Fixtures and fittings	18,000	
Debtors	3,500	
Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital		126,360
	<u>332,890</u>	<u>332,890</u>

**Additional information**

The closing inventory for the period ended 31<sup>st</sup> December 2021 is Shs. 23,680

**Required:**

- (i) Income statement for the year ended 31<sup>st</sup> December 2021 **(10 Marks).**
- (ii) Balance sheet as at 31<sup>st</sup> December 2021 **(10 Marks).**

## QUESTION TWO

(a) Highlight **five** characteristics of financial statements **(5 Marks).**

(b) Juma retired from his formal employment and was paid retirement benefits amounting to Shs. 216,500. With his benefits he started a business in Nairobi on 1<sup>st</sup> January 2022.

January: 1 Started business with Shs. 216,500 in cash.

: 2 opened a bank account depositing Shs. 168,000.

: 4 Paid by cheques six months' rent in advance Shs.72, 000.

: 8 Bought furniture by cheques Shs. 24,000.

: 15 Purchased goods for sale Shs. 19,500 by cheques.

: 18 Withdrew Shs.3, 500 from the bank for office use.

: 21 Sold goods for cash Shs.28, 800.

: 23 Deposited into the bank Shs. 42,300.

: 25 Purchased goods on credit from James with credit terms of 2% for 21,000.

: 26 Sold goods for Shs.36, 000 receiving payment by cheques.

: 27 Paid James in cash the amount due to him after deducting discounts.

: 27 Sold goods on credit to Tom for Shs.14, 300.

: 28 Paid wages in cash Shs.2, 400.

: 29 Paid transport in cash Shs. 2,400.

: 29 Withdrew from bank for personal use Shs 12,000.

: 30 Paid electricity Shs. 4,800 in cash and insurance premium Shs.15, 000 by

Cheques

: 30 Received Shs. 13,800 cash from Tom in full settlement of amounts due from him

**Required:** A three column cash book to record the transactions for the month of January

2022

**(15 Marks).**

### QUESTION THREE

(a) Outline **seven** contents of a partnership deed/agreement

**(7 Marks).**

(b) X and Y are in partnership sharing profits and losses in the ratio 3:2 respectively after crediting their accounts with interest on capital at 10% p.a and monthly salaries of Shs. 15,000 and Shs.20, 000 respectively. Interest on drawing is charged at 5% p.a. The trial balance as at 31/12/2021 after drawing profit and loss account is as follows.

	Dr(Shs.)	Cr(Shs)
Capital a/c: X		500,000
Capital a/c: Y		400,000
Current a/c: X		20,000
Current a/c: Y		10,000
Drawing a/c: X	225,000	
Drawing a/c: Y	215,000	
Net profits		800,000
<b>Fixed assets(cost)</b>		
Fixed assets at cost: Land and building	500,000	
:Plant and machinery	300,000	
:Motor vehicle	200,000	
<b>Accumulated depreciation</b>		
:Land and building		100,000
:Plant and machinery		50,000

:Motor vehicle		50,000
Debtors	100,000	
Stock	200,000	
Cash	290,000	
Creditors		100,000
	<b>2,030,00</b>	<b>2,030,000</b>

**Required:**

- (i) Profit and loss appropriations account for the year ended 31<sup>st</sup> December 2021 **(5 Marks).**
- (ii) The partner's current accounts **(3 Marks).**
- (iii) The balance sheet as at 31<sup>st</sup> December 2021 **(5 Marks).**

**QUESTION FOUR**

The following transaction relates to Anne's enterprise which took place in the month of May 2022.

May 1: Started business with the following:

- Shs. 50,000 in bank
- Shs. 20,000 Cash in hand

May 2: Bought goods for cash Shs. 4,000

May 3: Bought goods on credit from Jane Shs.3, 000

May 7: Bought goods on credit from Hussein Shs.3, 500

May 9: Paid Hussein the outstanding amount by cheque

May 14: Bought furniture worth Shs. 5,000 from Desk Limited

May 14: Paid rent by cash Shs.1, 200

May 17: Bought goods for cash Shs.5, 000 and also on credit from Mary Shs.4, 000

May 23: Sold goods for cash Shs.5, 000

May 29: Paid a cheque to Jane Shs.3, 000

May 29: Paid monthly salaries by cheque Shs.8, 000

**Required:**

- (i) Journal entries **(12 Marks).**
- (ii) Ledger accounts for the following transactions
  - (a)Cash account

- (b) Bank account
- (c) Purchases account
- (d) Sales account

**(8 Marks).**