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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/201 ACADEMIC YEAR OTWONE**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF SCHOOL OF PURE AND APPLIED SCIENCES**

**DIPLOMA IN INFORMATION TECHNOLOGY**

**COURSE CODE: DIT 031**

**COURSE TITLE: FINANCIAL ACCOUNTING**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 23/08/2021 TIME: 12.00-2.00 PM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) 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 THREE (3) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

1. Define the following terms:
2. Accounting [2 marks]
3. Book-keeping [2 marks]
4. Transaction [2 marks]
5. A ledger [2 marks]
6. Assets [2 marks]
7. Determine the capital from the following balances of accounts of a firm at the end of a trading period:

Ksh

Furniture 10,000

Accounts payable 16,500

Accounts receivable 38,000

Bank overdraft 7,500

[4 marks]

1. Describe **three** types of assets of a firm. [6 marks]
2. Define the following terms;
3. Liabilities [2 marks]
4. Bank overdraft [2 marks]
5. Explain three types of liabilities in a business [6 marks]

**QUESTION TWO**

1. Explain **five** users of accounting information in a business [10 marks]
2. Discuss any **five** accounting concepts /principles [10 marks]

**QUESTION THREE**

Mr.Saratuki started a business with sh.27, 000 which he deposited in a bank account on July 2018.

Other transactions during the month were as follows

2018

July 2 Bought furniture sh. 4,000 by cheque.

3 Purchased goods paying by cheque sh. 9,000

4 Paid rent sh. 2,000 by cheque

10 Cash sales sh. 1,800

12 Bought furniture sh. 5,200 on credit from Tiffo Office Ltd.

15 Sold goods on credit to korane Traders sh. 7,200

20 Purchased goods from Amina wholesalers sh. 26,000 on credit

22 Korane Traders returned goods worth sh. 200

27 Paid office expenses sh. 3,100 by cheque.

30 Withdrew sh. 1,000 cash for personal use.

31 Received sh. 5,000 by cheque from korane Traders.

**Required:**

1. Ledger accounts to record the above transactions [12 marks]
2. A trial balance as at 31 July 2018 [8 marks]

**QUESTION FOUR**

From the following trial balance of P Boones draw up statement of comprehensive income for the year ended 30 September 2002, and a statement of financial position as at that date. [20 marks]

Dr Cr

Sh. Sh.

Stock 1 October 19x8 23,680

Carriage outwards 2,000

Carriage inwards 3,100

Returns inwards 2,050

Returns outwards 3,220

Purchases 118,740

Sales 186,000

Salaries and wages 38,620

Rent 3,040

Insurance 780

Motor expenses 6,640

Office expenses 2,160

Lighting and heating expenses 1,660

General expenses 3,140

Premises 50,000

Motor vehicles 18,000

Fixtures and fittings 3,500

Debtors 38,960

Creditors 17,310

Cash at bank 4,820

Drawings 12,000

Capital 126,360

332,890 332,890

**QUESTION FIVE**

1. State four advantages of valuing materials using Last In First Out (LIFO) method. [8 marks]
2. Engo manufacturers use materialMM77 in its production. The firm uses Last In First Out (LIFO) method in valuing material issues. The following information relates to the material for the month of November 2018:
3. Inventory as at 1 November 2017 was 400 units valued at ksh. 19,200.
4. The following is receipts and issues during the month.

Receipts:

Date Quantity Cost per unit (ksh)

November 4 2,000 50

12 3,000 52

27 2,800 55

Issues:

November 7 2,000

20 2,400

30 3,000

Prepare a stores ledger account for the month of November 2017 [12 marks]