



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE &  
TECHNOLOGY UNIVERSITY EXAMINATIONS 2012/2013**

**2<sup>ND</sup> YEAR 1<sup>ST</sup> SEMESTER EXAMINATION FOR THE DEGREE  
OF BACHELOR OF**

**AGRI-BUSINESS MANAGEMENT**

**(REGULAR)**

**COURSE CODE: BBM 3212**

**COURSE TITLE: BUSINESS ACCOUNTING**

**DATE: 15 /8/13**

**TIME: 11.30 - 1.30 PM**

**DURATION: 2 HOURS**

**INSTRUCTIONS**

- 1. This paper contains five (5) questions.**
- 2. Answer question 1 (compulsory) and ANY other TWO questions.**
- 3. Write all answer in the booklet provided.**

## QUESTION ONE

- a.) Explain the meaning of and the difference between :
- i.) Capital expenditure and revenue expenditure **(2 Marks)**
  - ii.) Capital receipts and revenue receipts **(2 Marks)**
- b.) Classify the items given below under capital and revenue expenditure. In each case give a reason for your classification.
- i.) Cost of rebuilding a warehouse wall which has fallen down. **(1 Mark)**
  - ii.) Repainting extension of an office four years after completion. **(1 Mark)**
  - iii.) Yearly insurance premium for motor vehicles. **(1 Mark)**
  - iv.) Repairing roof of an extension of a factory building **(1 Mark)**
  - v.) Carriage costs on sale **(1 Mark)**
  - vi.) Carriage cost of bricks for extending office premises **(1 Mark)**
  - vii.) Cost of adding air conditioning to the computer room **(1 Mark)**
  - viii.) Legal costs of collecting debt **(1 Mark)**
- c.) Explain the following Errors and give examples of each
- i.) Compensating Errors **(3 Marks)**
  - ii.) Error of principle **(3 Marks)**
  - iii.) Error of omission **(3 Marks)**
  - iv.) Error of commission **(3 Marks)**
  - v.) Error of original Entry **(3 Marks)**
  - vi.) Complete Reversal entry **(3 Marks)**

## QUESTION TWO

The bank balance of John Kimaru did agree with the cash book balance of sh. 1,365,000 as at 30 September 2007. On comparing the bank statement and the cash book he found the following differences:

- 1.) The unrepresented cheques amounted sh. 174,000.
- 2.) Cheques amounting to sh. 278,000 banked on 29 September 2007 were not credited by the bank until 3 October 2007.
- 3.) Bank charges amounting to sh. 24,000 has been debited in the bank account.
- 4.) Interest of sh. 31,000 on fixed deposit has been credited to the account by the bank.
- 5.) A debtor paid sh. 175,000 direct to the bank and the amount has been credited to account by the bank.
- 6.) A cheque of sh. 75,000 deposited on 26 September 2007 was returned as unpaid but has not been received in the office;

- 7.) Standing orders amounting to sh. 95,000 have been paid by the bank.  
 8.) A cheque of sh. 74,000 has been posted in the cash book as sh.47, 000.

**Required:**

- a.) Adjust Cash book **(12 Marks)**
- b.) Bank reconciliation statement as at 30 September 2007 **(8 Marks)**

**QUESTION THREE**

- a.) Name and briefly describe four methods of depreciation **(8 Marks)**
- b.) Give six causes of the difference between the bank statement balance and the cash book balance **(12 Marks)**

**QUESTION FOUR**

- a.) Explain the merits of maintaining sales ledger and purchases ledger control accounts as integral parts of the accounting records. **(3 Marks)**
- b.) What are the **three** advantages of control account in a manual accounting system? **(3 Marks)**
- c.) The information is extracted from Chege's debtors account: **£**

Aug. 1	sales ledger – debit balances	3,816
1	Sale ledger – credit balances	22
31 Transactions for the month:		
	Cash received	104
	Cheque received	6,239
	Sales	7,090
	Bad debts written off	306
	Discount allowed	298
	Return inwards	664
	Cash refunded to customer who had overpaid his account	37
	Dishonored cheques	29
	Interest charged by us on overdue debt at the end of the month	50
	Sales ledger debit balance	3,429
	Sales ledger credit balance	40

**Required:**

- a.) Sales ledger control account. **(14Marks)**

## QUESTION FIVE

The following trial balance was extracted from the book of Kipngetchi a sole trader as at 31<sup>st</sup> December 2004

	Sh.	Sh.
Building at cost	3,000,000	
Motor vehicle at cost	1,600,000	
Provision for depreciation ( on motor vehicle )		
1 <sup>st</sup> January 2004		700
Discount allowed and received	20,000	15,600
Purchases	15,769,000	
Sales		20,804,400
Electricity	255,000	
Rates	130,000	
Insurance	105,000	
Return inward and outward	189,000	149,400
Bad debts	92,000	
Provision for bad and doubtful debts		72,000
January 2004		
Debtors and creditors	1,920,000	1,485,000
Stock in trade January 2004	2,875,600	
Balance at bank		484,000
Capital		4,131,600
Wages	1,286,400	
Drawings	600,000	
	<b><u>27,842,000</u></b>	<b><u>7,842,000</u></b>

The following additional information is relevant

1. Stock as at 31<sup>st</sup> December 2004 amounted to 3,072,600
2. Amount accrued as at 31<sup>st</sup> December 2004. Electricity sh. 15,000 and bonus to employee sh. 100,000
3. Insurance prepaid at 31<sup>st</sup> December 2004 was sh. 35,000
4. Included in the insurance payment is an amount of sh. 15,500 for Kipngetchi personal vehicle.
5. Provision for bad and doubtful debt is 5% of debtors.
6. Depreciation to provided as follows -: 20% on motor vehicle on reducing balance and 10% on building on SLM.

## REQUIRED

- a. Trading , profit and loss account for the year ended 31<sup>st</sup> December 2004 (12 Marks)
- b. Balance sheet as at 31<sup>st</sup> December 2004. (8 Marks)