



**JARAMOGI OGINGA ODINGA UNIVERSITY OF
AGRICULTURE AND TECHNOLOGY
BACHELOR OF BUSINESS ADMINISTRATION with INFORMATION
TECHNOLOGY (BBA with IT)
BUSIA LEARNING CENTRE
END OF FIRST SEMESTER FIRST YEAR UNIVERSITY
EXAMINATIONS 2013/2014**

ABA 103: INTRODUCTION TO ACCOUNTING I

ANSWER QUESTION ONE AND ANY OTHER TWO

2 HOURS

QUESTION ONE

a) Using practical accounting transactions, explain the following accounting concepts

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|------|----------------------|----------|
| i. | Substance over form | (2marks) |
| ii. | Materiality concept | (2marks) |
| iii. | Prudence concept | (2marks) |
| | Double entry concept | (2marks) |
| iv. | Accruals concept | (2marks) |

b) Keith' s draft trial balance as at 30 April 2009 did not balance. The difference was posted to a suspense account pending investigations of the accounts. The investigations revealed the following errors:-

1. Sales day book was undercast by Shs 20,000
2. discount received of Shs 540 from Anyim suppliers, a supplier, has been correctly entered in the cash book but has not been posted to Anyim suppliers personal account
3. Purchases day book has been undercast by Shs 11,700.
4. Discount allowed column of the cash book has been undercast by Shs 1,800
5. Another discount allowed of Shs 900 has not been entered in the discount allowed column of the cash book. Instead the sales have been recovered in the cash column as Shs 6,900

(including the discount allowed). While the customer's account has been correctly credited with the discounts and cash received.

6. Goods worth Shs 1,810 were returned to Sabina Wanja, a supplier.

Erroneous entry was made in the return inward Books as Shs 1,180.

Required:

- (i) Journal entries to correct the above errors.(6 Marks)
- (ii) Show how the above corrections will affect the profit(4 Marks)

C) The following trial balance was extracted from the books of F Sorley on 30 April 20X7. From it, and the note about stock, prepare his trading and profit and loss account for the year ended 30 April 20X7, and a balance sheet as at that date.

	Dr	Cr
	£	£
Sales		210,420
Purchases	108,680	
Stock 1 May 20X6	9,410	
Carriage outwards	1,115	
Carriage inwards	840	
Returns inwards	4,900	
Returns outwards		3,720
Salaries and wages	41,800	
Motor expenses	912	
Rent	6,800	
Sundry expenses	318	
Motor vehicles	14,400	
Fixtures and fittings	912	
Debtors	23,200	
Creditors		14,100
Cash at bank	4,100	
Cash in hand	240	
Drawings	29,440	
Capital		18,827
	247,067	247,067

Stock at 30 April 20X7 was £11,290.

(10 Marks)

QUESTION TWO

a) Identify four uses of the general journal (4 Marks)

b) Mjomba has the following assets and liabilities as on 30 November 2009:

Creditors sh.39,500; Equipment sh.115,000; Motor vehicle sh.62,900;

Stock sh.61,500; Debtors sh.57,700;Cash at bank sh.72,800 and Cash in

hand sh.400. Compute the balance on the capital account as at 30 November 2009.

During the first week of December 2009, Mjomba

1. Bought extra equipment on credit for sh.13,800.
2. Bought extra stock by cheque sh.5,700.
3. Paid creditors by cheque sh.7,900.
4. Received from debtors sh.8,400 by cheque and sh.600 by cash.
5. Put in an extra sh.2,500 cash as capital.

Record the above transactions in the respective ledger accounts balance the accounts and extract a trial balance. (16 Marks)

QUESTION THREE

A company depreciates its plant at the rate of 20 per cent per annum, straight line method, **for each month of ownership**. From the following details draw up the plant account and the provision for depreciation account for each of the years 2007, 2008, 2009 and 2010. 2007 Bought plant costing sh.900 on 1 January. Bought plant costing sh.600 on 1 October. 2009 Bought plant costing sh.550 on 1 July. 2010 Sold plant which had been bought for sh.900 on 1 January 2007 for the sum of sh.275 on 30 September 2010.

You are also required to draw up the plant disposal account and the extracts from the balance sheet as at the end of each year. (10 Marks)

b)

The following information relates to A Trader's business:

Assets and liabilities at 20X9	1 January 20X9	31 December
	£	£
Fixtures	18,000	16,200
Debtors	4,800	5,800
Stock	24,000	28,000
Creditors	8,000	11,000
Cash	760	240
Balance at bank	15,600	4,600
Loan from B Burton	6,000	2,000
Motor vehicle	-	16,000

During the year, Trader had sold private investments for £4,000 which he paid into the business bank account, and he had drawn out £200 weekly for private use.

Required:

Prepare a profit and loss account for the year ending 31 December 20X9 and a balance sheet as at that date. (10 Marks)

QUESTION FOUR

Write up a two-column cashbook from the following details, and balance off as at the end of the month: **2010**

May 1 Started business with capital in cash sh.1,000.

- “ 2 Paid rent by cash sh.100.
- “ 3 F Lake lent us sh.5,000, paid by cheque.
- “ 4 We paid B McKenzie by cheque sh.650.
- “ 5 Cash sales sh.980.
- “ 7 N Miller paid us by cheque sh.620.
- “ 9 We paid B Burton in cash sh.220.
- “ 11 Cash sales paid direct into the bank sh.530.
- “ 15 G Moores paid us in cash sh.650.
- “ 16 We took sh.500 out of the cash till and paid it into the bank account.
- “ 19 We repaid F Lake sh.1,000 by cheque.
- “ 22 Cash sales paid direct into the bank sh.660.
- “ 26 Paid motor expenses by cheque sh.120.
- “ 31 Paid wages in cash sh.970.

(20 marks)