

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATIONS: FIRST YEAR EXAMINATION FOR THE DEGREE OF
BACHELOR OF BUSINESS ADMINISTRATION/BACHELOR OF EDUCATION
ABA 103: INTRODUCTION TO ACCOUNTING I

DATE:

TIME: 2 HOURS

INSTRUCTIONS: Answer **question one and any other two**

QUESTION ONE

a) The following transactions relate to Malo traders for the month of May, 2010

1st Sold goods for sh. 120,000 to Kioko less 25% trade discount.

7th sold to Clive for Sh. 60,000 less 33 1/3% trade discount.

16th Bought goods from otiende sh. 80,000

23rd Sold goods sh. 100,000 to Weru less 20% trade discount.

28th Bought goods sh. 20,000 from Bett.

31st Bought goods sh. 40,000 From Ali

Prepare:

(i) Sales day book

(ii) Purchase day book

(5 Marks)

b) The following information was obtained from the book of original entry of Tiles Trading Company

	Shs
Balances 1 st January 2010	
-Debtors	266,550
-Creditors	434,500
Sales	
-Cash	3,448,900
-Credit	2,681,870

Receipt from customers	2,556,800
Payments to suppliers	4,895,300
Discounts received	55,200
Discounts allowed	35,100
Refunds given to cash customers	50,700
Contra settlements	700
Bad debts written off	7,800
Increase in provision for bad debts	900
Credit notes issued to customers	41,400
Credit notes received from suppliers	14,800
Interest charged on overdue accounts	10,000

Prepare:

(i) Sales ledger control account

(ii) Purchase ledger control account

(10 Marks)

(c) The following is the trial balance of Miwa traders as at 31st December 2008.

	DR	CR
	Sh	Sh
Capital		196,900
Carriage inwards	1,900	
Purchases and sales	118,600	195,200
Furniture and fittings at cost	36,000	
Debtors and creditors	78,000	46,900
Stock	59,200	
Salaries and wages	16,000	
Drawings	25,000	
Buildings	49,300	
Bank	19,800	
Office expenses	20,000	

Rent and rates	<u>14,800</u>	
	439,000	439,000

Additional information

- (i) Stocks as at 31.12.2008 were valued at Sh. 26,500
- (ii) Furniture and fittings are depreciated at a rate of 10% on straight line basis
- (iii) Salaries and wages owing as at 31st December 2008 amounted to Sh. 800
- (iv) A debts of Sh. 10,000 was written off and a provision for doubtful debts of 2% of net debtors was created

Required:

- (i) A trading profit and loss account for the year ended 31st December 2008.
- (ii) A balance sheet as at 31st December 2008. (10 Marks)

QUESTION TWO

- a) Explain five reasons for the difference in cash book balance and bank account balance at any given time. (5 Marks)
- b) Given below is the cash book (bank column) and the bank statement of Kama traders for the month of May 2008

Cash Book (Bank Column)			
		Sh	
May 2	Balance b/d	90,200	May 4 Ngambo School cheque No 101 60,400
May 9	J. Kombo	45,100	May 18 JM Ltd cheque NO 102 58,600
May 21	Sales	26,000	May 26 P Mulicheque No 103 18,200
May 24	K Mwendwa	40,900	May 27 S. Mungaicheque No 104 10,000
May 31	B Bona	35,000	May 30 Jambo Ltd cheque No 105 41,700
	May 31	Balance c/d	48,300
		237,200	237,200

Bank Statement

	Debit	Credit	Balance
			Sh sh sh
May 1	Balance b/d		90,200
May 9	Cheque deposit	45,100	135,300
May 10	Cheque No 101	60,400	74,900
May 21	Cash deposit	26,000	100,900
May 26	K Mwendwa	40,900	141,800
May 27	Cheque No. 103	18,200	123,600
May 27	Bank Charges	1,640	121,960
May 28	Ledger fees	2,420	119,540
May 30	Direct deposit	15,100	134,640
May 31	Standing order	14,000	120,640

Required

- (i) Adjusted Cash Book
 - (ii) Bank Reconciliation Statement as at 31 May 2003
- (15 Marks)

QUESTION THREE

a) On 1/1/2008 the business bought a motor vehicle worth KShs.50,000 in cash. On 1/1/2009 The business also bought another motor vehicle worth KSh.s150,000. The policy of the business is to charge depreciation at the rate of 10% p.a. on reducing balance method. On 15/4/2010 the vehicle bought on 1/1/2008 was disposed of at Shs.35,000.

Open the following accounts, and post the above transactions: -

- i) Motor vehicle account;
 - ii) Provision for depreciation (motor vehicle);
 - iii) Disposal Account.
 - iv) Balance sheet extract (15 marks)
- b) Explain five errors that violate the equality of a trial balance totals (5 Marks)

QUESTION FOUR

A three-column cashbook is to be written up from the following details, balanced off, and the relevant discount accounts in the general ledger shown.

2008

Mar	1	Balances brought forward: Cash shs 230; Bank shs4,756.
“	2	The following paid their accounts by cheque, in each case deducting 5 percent discounts: R Burton shs 140; E Taylor shs 220; R Harris shs800.
“	4	Paid rent by chequesshs120.
“	6	J Cotton lent us shs1,000 paying by cheque.
“	8	We paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: N Black shs 360; P Towers shs 480; C Rowseshs300.
“	10	Paid motor expenses in cash shs44.
“	12	H Hankins pays his account of 77, by chequeshs 74, deducting 3shs cash discount.
“	15	Paid wages in cash shs160.
“	18	The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston shs 260; R Wilson & Son shs 340; H Winter shs460.
“	21	Cash withdrawn from the bank shs350 for business use.
“	24	Cash Drawings shs120.
“	25	Paid T Briers his account of shs140, by cash shs133, having deducted shs7 cash discount.
“	29	Bought fixtures paying by cheque shs650.
“	31	Received commission by cheque shs88.

QUESTION FIVE

Mary

Balance Sheet as at 31 December 2010

Non Current Assets	£	£
Premises		25,000.00
Plant		<u>12,000.00</u>
		37,000.00
Current Assets:		
Stock	11,000.00	
Debtors	10,000.00	
Cash at bank	5,000.00	
Cash in hand	<u>3,000.00</u>	
	29,000.00	
Current liabilities:		
Creditors	<u>(12,000.00)</u>	<u>17,000.00</u>
		<u>54,000.00</u>
Capital		34,000.00
Non Current Liabilities:		
Loan from bank		<u>20,000.00</u>
		<u>54,000.00</u>

During the year to 31 December 2011 the following total transactions occurred:

- Mary withdrew a total of shs10,000.00 in cash
- Stock in trade was bought, all on credit, for shs34,000.00
- Sales were made totaling 60,000.00 of stock in trade which had cost shs37,000.00. Of these sales shs51,000.00 were on credit and shs9,000.00 for cash.
- A total of shs16,000.00 was drawn from the bank in cash to the cash till.
- Electricity for the year paid by cheque totaled shs2,000.00
- Rates for the year paid by cheque totaled shs1,000.00
- Wages for the year all paid cash totaled shs10,000.00
- Sundry expenses all paid in cash totaled shs2,000.00
- Creditors were paid a total of shs36,000.00 all by cheque
- Debtors paid a total of shs54,000.00 all in cheques.
- The bank charged interest on the loan deducting shs3,000.00.

Required:

Prepare a revised balance sheet.

(20 marks)