

**W1-2-60-1-6**

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

# **UNIVERSITY EXAMINATIONS 2014/2015**

EXAMINATION FOR THE DEGREE OF BACHELOR OF ……………………………………………………?

**HBC 2101 : INTRODUCTION TO ACCOUNTING I**

**DATE: AUGUST 2015 TIME: 2 HOURS**

**INSTRUCTIONS:**

**ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

**=========================================================**

**QUESTION ONE**

1. Mr. Jogoo’s Trial balance was as follows: on 31/12/2014

DR. CR.

Shs shs

Land and buildings 8 000 000

Motor vehicle 6 000 000

Stock on 1/1/14 3 000 000

Sales 50 000 000

Purchases 28 000 000

Returns inwards and

Outwards 2 000 000 1 000 000

Discounts 1 500 000 2 000 000

Fixtures 4 000 000

Debtors 5 000 000

Creditors 4 000 000

Provision for C and B

Doubtful debts 3 000 000

Bad debts 2 000 000

General expenses 3 000 000

Salaries & wages 4 000 000

Drawings 2 000 000

Capital 8 500 000

**68 500 000 68 500 000**

Additional information

1. Closing stock amounted to kshs. 2 000 000
2. Provision for B and C doubtful debts is to 30% of debtors

Required:

1. Jogoo’s trading and profit and loss accounts for the year ended 31/12/2014 [20 marks]
2. Balance sheet as at 31/12 / 2014 [10 marks]

**QUESTION TWO**

Discuss in details the following accounting principles

1. Cost concept [4 marks]
2. Materiality concept [4 marks]
3. Accrual concept [4 marks]
4. Prudence [4 marks]
5. Business entity concept [4 marks]

[total 20 marks]

**QUESTION THREE**

1. The balance in the cash book of Mr. Chumo as at 31st December 2013 was kshs. 30 000 . On the same date the balance as per bank statement was ksh. 50 000/- on examining the bank statement and the cash book, the following differences were observed
2. Cheques totaling kshs. 8 000 were paid into the bank on 31st Decemer 2013 but were not credited by the bank until 1st January 2012.
3. Bank charges amounted to kshs. 600
4. There was a standing order of kshs. 800
5. Income interest collected by the bank of kshs. 13 000 were not entered in the cash book
6. Amount paid to suppliers but not presented for payment to the bank were kshs. 16 400

Required:

1. Adjust Mr. Chumo’s cash book and prepare a bank reconciliation statement [12 marks]
2. State and briefly explain reasons why a trader’s cash book differs from the trader’s bank statements from the bank [8 marks]

**QUESTION FOUR**

Enter the transactions below in relevant ledger accounts, balance then off and

extract a trial balance , in Jamii Bora’s book [20 marks]

2014

Jan 1 Started with capital : Bank kshs. 200 000 , cash, shs. 100 000

Jan 2 Bought goods on credit from John kshs. 25 000

Jan 3 Sold goods for cash kshs. 55 000

Jan 14 The firm paid John by cash kshs. 25 000

Jan 15 Sold goods on credit to may kshs. 20 000

Jan 17 Mary returned goods to Jamii Bora Kshs. 10 000

Jan 19 Mary paid outstanding balance by cheque shs 10 000

Jan 20 Bought machine by cheque kshs. 25 000

**QUESTION FIVE**

1. State and briefly explain fie users of accounting information [10 marks]
2. Explain five sources of information for updating books of primary entry [10 marks]

[total 20 marks]