

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

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

# **UNIVERSITY EXAMINATIONS 2014/2015**

FIRST YEAR FIRST YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

**HBC 2101 : INTRODUCTION TO ACCOUNTING I**

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

**INSTRUCTIONS:**

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

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

**QUESTION ONE**

**READ THE FOLLOWING AND ANSWER THE QUESTIONS THAT**

**FOLLOW**

The managing director of Progressive Ltd was interested in understanding the

accounting systems and producing acid he called for briefing from the

accounted from the accountants perspective accounting and book-keeping are

distinct and one can not be mi……..for the other. He highlighted the differences

and then went ahead to highlight the accounting cycle. During the accounting

cycle he was able to note that some errors may be made. What really got to his

attention was the procedure of bank reconciliation and the reasons for

recompilation as also its causes. To check on the accuracy of entries, and

financial accounting in the ledger the accountancy explained that there was

need to prepare control accounts. The account went further to explain to the

MD the various fundamental concept in accounting.

1. Distinguish between accounting and book-keeping [3 marks]
2. Highlight three errors disclosed by the trial balance and three errors not disclosed by the total balance. [6 marks]
3. Outline the procedure of bank reconciliation [4 marks]
4. Give the purpose of control accounts [4 marks]
5. What are the limitations of financial records. [4 marks]
6. Why do we need end of year adjustments [3 marks]
7. What are the uses of journal proper [3 marks]
8. Give advantages of accounting standards [3 marks]

**QUESTION TWO**

1. What are the sources of information in writing up control accounts? [4 marks]
2. Basil Ltd keeps control accounts in its books. The account has supplied the following information for the month of October 2014.

Balance as at 1st October 2014 shs.

Sales ledger Debt balances 356 000

Credit balances 78 000

Purchases ledger Credit balance 424 000

Debt balances 86 000

Transactions during the year

Sales on credit 9 598 000

Purchases on credit 8 472 000

…………..inwards 245 000

………….outwards 349 000

Cheques received from customers 7 242 000

Cheques paid to suppliers 6 940 000

Cash paid to supplier 94 000

Cash achieved from customer 104 000

Bad debts written off 58 000

Discounts allowed to customer 69 000

Discounts received from suppliers 76 000

Credit purchases offset against credit sales

254 000

Balances as at 31st October 2014

Sales ledger – credit balances 89 000

Purchases ledger – debit balances 92 000

Required;

The sales ledger and purchases ledger control accounts for the month of October 2014. [8 marks]

1. You have recently been employed in a medium sized company and deployed in the account department. Your head of section has given you the following extract from the cash book for the month of April 2015.

Shs shs

Receipt during the month 2 938 000 balance b/f 152 000

Balance c/f 1 108 000 payment during

the month 2 524 000

**4 046 000 4 046 000**

The head of section informs you that all receipts are banked intact and all

payments are made by cheque. On investigation you discover the following:-

1. Bank charges and commissions amounting to shs. 272 000 entered on the bank statement had not been entered in the cash book
2. Cheques drawn amounting to shs. 534 000 had not been presented to the bank for payments
3. Cheques received totaling to shs. 152 4000 had been entered in the cash book and paid into the bank but had not been credited by the bank until may 2015
4. A cheque of shs. 44 000 had been entered as a receipt in the cash book instead of a payment
5. A cheque of shs. 50 000 had bee debited by the bank by mistake
6. A chegue received for shs. 160 000 had been returned unpaid. No adjustment has been made in the cashbook
7. All dividends receivable are credited direct to bank account. During the month of April 2015 dividends totaling shs. 124 000 were credited by the bank and no entries had been made in the cash book.
8. A cheque drawn for shs. 12 000 had been incorrectly entered in the cash book as shs. 132 000
9. The balance brought forward should have been 1422000
10. The bank statement as at 30th April 2015 showed an overdraft of shs. 2 324 000.

Required:

1. Adjusted cash book [4 marks]

(ii) Bank reconciliation statement [4 marks]

[TOTAL 20 MARKS]

**QUESTION THREE**

On 1st July 2014 Moses had cash in hand shs. 150 000 and bank balance of shs. 680 000. During the month, the following transaction took place.

2.7. 2014 cash sales shs. 2 000 000 paid directly into bank

3.7. 2014 received a cheque from Alex shs. 700 000

8.7. 2014 bought goods for sh. 1 300 000 by cheque

12.7.2014 cash sales shs. 2 000 000

14.7.2014 paid Mwangi by cheque shs. 980 000 after deducting a 2% cash discount

15.7.2014 paid wages shs. 100 000 in cash

15.7.2014 withdrew shs. 200 000 from bank for office use

17.7.2014 bought stationary cash shs. 37 500

18.7.2014 Alex’s cheque of shs. 700 000 was dishonored

25.7.2014 Paid salaries by cheque shs. 2 500 000

26.7.2014 received a cheque from Bea shs. 475 000 after deducting a 5% cash discount

Required:

Prepare a three column cash book. [10 marks]

(b) Njuguna maintains a petty cash book on the import system, the cash float being shs. 60 000. The following transactions took place in April 2015

April 1 :Received imprest shs. 60 000

3 :Brought postage stamps shs. 2000

6 :Paid Joo’s all shs. 4000

7 :Bought stationary shs. 5000

8 :paid travelling allowance shs. 4000

10 :cleaning expenses shs. 6000

12 :paid loonard’s account in the purchase ledger shs. 5000

14 :paid subscription to a trade association shs. 2000

17 :cleaning expenses shs. 2 000

18 :paid travelling expenses shs. 10 000

22 : Bought light bulbs shs. 2 000

25 :paid lenana’s account shs. 2 500

26 :travelling expenses shs. 1000

28 : paid for sugar , tea and milk shs. 3000

**Required:**

Petty cash book using columns, postage and stationery, travelling, cleaning

sundries and ledger. [10 marks]

**[TOTAL 20 MARKS]**

**QUESTION FOUR**

The following balances were extracted from the book of T.Bamako, a sole trader

for the year enced 31.12. 2014.

Shs.

Capital 8 760 000

Drawings 900 000

Trade debtors 1 356 000

Trade creditors 1 626 000

Sales 6 669 600

Purchases 3 141 600

Returns inwards 108 300

Returns outwards 164 100

Wages and salaries 1 410 000

Discount allowed 74 400

Discount reserved 127 800

Stock 1.10. 2014 1 900 200

Bank 792 300

Cash 42 600

Lighting and power expenses 141 600

Rates 74 400

Building 1950 000

Fixtures and fittings 432 000

Motor vehicles 480 000

Stationery 46 800

Sundry expenses 19 200

Insurance 180 000

Provision for bad debts 199 500

Motor vehicle running expense 115 800

Bad debts written off 21 600

Postage and telephone 40 800

Additional information

1 Stock 31.12.2014 amounted to shs. 1 320 000

2 One-quarter of lighting and power expenses is to b personal use of T. Bamako.

3 Depreciation is to be provided on the values given as follows:

10% of fixtures and fittings

20% on motor vehicles

5% on building

4. Rates prepaid amounted to shs. 19 200

5 Insurance unexpired amounted to shs 3 000

6 Provision for bad debts is 10% of trade debtors

**Required:**

1. Income statement for the year ended 31.12.2014 [12 marks]
2. Statement of financial position [8 marks]

[TOTAL 20 MARKS]