

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

## JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

**UNIVERSITY EXAMINATIONS 2018/2019**

**EXAMINATIONS FOR THE DEGREE OF BACHELOR OF SCIENCE IN INFORMATION TECHNOLOGY**

**BIT 2120: ESSENTIALS OF ACCOUNTING**

**DATE: APRIL 2019 TIME: 2 HOURS**

QUESTION ONE

a) Define the following accounting concepts and for each explain their implication in the preparation of financial statement:

i) The going concern concept (4 marks)

ii) Business entity concept (4 marks)

iii) Materiality (4 marks)

iv) Realization (4 marks)

b) Explain the term ‘bank reconciliation’ and state the reasons for its preparation (4 marks)

c) Write explanatory notes on the following:

i) Fixed and flexible budget (3 marks)

ii) Controllable and uncontrollable costs (3 marks)

b) Explain the duties of a cost accountant in an organization (4 marks)

QUESTION TWO

Ssemakula, a sole trader received his bank statement of the month of June 2017. At the date the bank balance was sh. 706, 500 whereas his cash book balance was hs2,366,500. His accountant investigated the matter and discovered the following discrepancies;

1) Bank charges of sh.3000 had not been entered in the cash book.

2) Cheque drawn by Ssemakula totaling sh.22500 had not yet been presented to the bank.

3) He had not entered receipts of sh.26,500 in his cash book.

4) The bank had not credited Mr. Ssemakula with receipts of sh.98,500 paid into the bank on 30th June 2017

5) Standing order payment amount to sh.62,000 had not been entered into the cashbook.

6) In the cashbook Ssemakula had entered a payment of 74,900 as sh.79,400.

7) A cheque for sh 15000 from a debtor had been returned by the bank marked ‘refer to drawer” but had not been written back into the cashbook.

8) Ssemakula had bought forward the opening cash balance of sh.329,250 as a debit balance instead of a credit balance.

9) An old cheque payment amounting to sh44000 had been written back in the cashbook but the bank had already honoured it.

10) Some of Ssemakula’s customers had agreed to settle their debts by paying directly into his bank. Unfortunately the bank had credited some deposits amounting to sh832,500 to another customer’s account. However acting on information from his customers, Ssemakula had actually entered the expected receipts from the debtors in his cashbook.

**Required:**

a) A statement showing Ssemakula’s adjusted cashbook balance as at 30 June 2017

(10 marks)

b) A bank reconciliation statement as at 30th June 2017 (10 marks)

QUESTION THREE

Below is the enumerated expenditure in the manufacture of commodity X.

Three months ended

31-12-2016

Raw materials 28,000

Fuel 6,900

Electricity power 1,340

Process and general wages 63,500

Repairs 2,400

Haulage 1,060

Light and wate 400

Rent 2,000

Rates and insurance 300

Office salaries and general expenses 7,000

Administration 5,000

Depreciation in machinery 2,500

Total 1,20,400

Tom manufactured 17,200

Prepare cost sheet showing the cost per each item of expenses and total cost per ton for the period (20 marks)

QUESTION FOUR

The following information relates to the activities of a production department for a certain period in a factory:

Sh.

Materials used 72,000

Hours of machine operation 20,000

Labour hours worked 24,000

Overheads charlyable to the department 48,000

Once order carried out the department during the period the relevant data were:

Sh.

Materials used 4,000

Labour hours 1650

Direct wages 3,300

Machine hours 1200

Prepare a comparative statement of cost of this order by using the following three methods of recovery overheads.

i) Direct labour hour rate method

ii) Direct cost rate method

iii) Machine hour rate method (20 marks)