



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE IN BACHELOR OF LOGISTICS
AND SUPPLY CHAIN MANAGEMENT AND BSC.COMPUTER SECURITY &
FORENSICS**

**1ST YEAR 1ST SEMESTER 2022/2022 ACADEMIC YEAR
KISUMU CAMPUS**

COURSE CODE: BAB9101

COURSE TITLE: PRINCIPLES OF ACCOUNTING

DATE: 22/12/2022

SESSION: 9.00-11.00AM

TIME: 2 HOURS

Instructions:

- 1. Answer questions ONE and ANY OTHER TWO questions**
- 2. Candidates are advised not to write on the question paper**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room**

QUESTION 1: 30 Marks

From the following transactions for the month of October 2022

October. 1 Cash in hand sh 20,000 " 7 Received from Riaz & Co. sh 2300; discount allowed sh100" 12 Cash sales sh11,000 " 15 Paid Zahoor Sons sh 1500; discount received sh 115 " 20 Purchased goods for cash sh 3300 " 25 Received from Salman sh 1500; discount allowed sh 115 " 27 Paid Hussan& Sons sh 1400. " 28 Bought furniture for cash sh 11,000 " 31 Paid rent sh10,000

Required

- Prepare two Column Cash Book for Kisumu traders.(10 marks)
- Post the above entries into ledgers (10 marks)
- Differentiate between the Receipts and transfer vouchers (5 marks)
- Explain the term petty cash and its disadvantages(5 marks)

QUESTION 2: 20 Marks

- The following particulars are obtained from M/s Ananaya Industries, Kshs.

Overdraft as per pass book	16,500
Interest on overdraft	1,600
Insurance premium paid by the bank	800
Cheques deposited but not yet credited	5,500
Cheques issued but not present for payment	6,000
Wrongly credit to firm account by the bank	1,000

Required:

Prepare Bank Reconciliation Statement as on December 31, 2021 (10 marks)

- Explain the concept of accounting equation (5marks)
- Explain the reasons for the differences between balances of cash book and bank balances (5marks)

QUESTION 3: 20 Marks

The following information from trader;

<i>Assets and Liabilities</i>	<i>April 1, 2011</i>	<i>March 31, 2012</i>
	₹	₹
Creditors ...	15,770	12,400
General Expenses Owing ...	600	330
Sundry Fixed Assets ...	11,610	12,040
Stock ...	8,040	11,120
Cash in hand and at Bank ...	6,960	8,080
Debtors ...	?	17,870
<i>Other Transactions:</i>		
Cash and discount credited to Debtors ...		64,000
Returns from Debtors ...		1,450
Bad Debts ...		420
Sales—Cash and Credit ...		81,810
Discounts allowed by Creditors ...		700
Returns to Creditors ...		400
Capital introduced (paid into Bank) ...		8,500
Receipts from Debtors (paid into Bank) ...		62,500
Cash Purchases ...		1,030
Expenses, paid in cash ...		9,570
Purchase of Furniture by cheque ...		430
Drawings by cheque ...		13,180
Cash payments into Bank ...		15,000
Cash withdrawn from Bank ...		9,240
Payments to Creditors by cheque ...		60,270
Cash in hand on 31st March, 2012 ...		1,200

Prepare the following financial statements

- Trading Account, (5 marks)
- Profit and Loss Account and,(10 marks)
- Balance Sheet. (5 marks)

QUESTION 4: 20 Marks

pk Ltd was incorporated and commenced its business selling imported tiles on 1 January 2020. On the date of incorporation, the company issued 1 000 000 ordinary shares of \$2 at par. A four-year \$1 000 000 bank loan with an interest rate of 6% per annum was obtained on the same date. The following information was available:

(i) The ratio of total non-current liability to total equity (based on the year-end balances) as at 31 December 2010 was 1:4. No dividends had been proposed or paid in 2020 and 2021.

(ii) Total sales for 2021 were \$3 600 000. All goods were sold at a gross profit margin of 50%.

(iii) All sales and purchases were made on credit and were evenly spread throughout the year. In 2020 and 2021, the collection period of trade receivables was maintained at 1 month, while the settlement period of trade payables was maintained at 3 months.

(iv) Closing inventory as at 31 December 2020 and 2021 was valued at \$500 000 and \$1 100 000 respectively.

(v) Selling and distribution expenses of \$645 000 incurred in 2021 were fully paid.

(vi) Administrative expenses of \$270 000 were incurred in 2021, of which one-third remained unpaid as at 31 December 2021.

(vii) In order to finance the expansion of the business, the company further issued 1 000 000 ordinary shares at \$5 per share on 1 January 2021 and obtained a five-year bank loan with an interest rate of 4% per annum on the same date. The ratio of total non-current liability to total equity decreased to 1:5 immediately after the issuance of shares and the acquisition of the bank loan. The interests on all the bank loans incurred in 2021 were duly paid and properly recorded.

(viii) On 1 January 2021, the company purchased a piece of equipment for \$420 000. It is the company's policy to provide depreciation at an annual rate of 20% using the reducing balance method. The net book value of equipment as at 31 December 2020 was \$480 000.

(ix) All transactions were made through the bank account of the business. On 31 December 2021, there was no cash in hand while the bank account showed a debit balance.

REQUIRED:

(a) Prepare the following for PK Ltd;

(1) The income statement for the year ended 31 December 2021. (10 marks)

(2) The statement of financial position as at 31 December 2021. (8 marks)

(b) As compared with 2020, many of the financial ratios of BC Ltd in 2021 had improved. Therefore, the Chief Executive Officer (CEO) of the company concluded that the performance of BC Ltd in 2021 was better. Give two reasons why the CEO's conclusion might be incorrect. Explain your answers (2 marks)

QUESTION 5: 20 Marks

a. Explain the use of the following source documents;

- i. Sales and purchase invoice (5 marks)
- ii. Debit note (3 marks)
- iii. Credit note (2 marks)

b. ALLY Ltd has provided the following financial information for the month ended 31st December 2019;

							Sh.
(Million)							
Receivables	debit	balances	as	at	1 st	December	2019
1200							
Payables	credit	balances	as	at	1 st	December	2019
800							
Credit							purchase
2840							
Returns							inwards
100							
Discount							received
9							
Return							outwards
40							
Interest	charged	to	credit	customers	on	overdue	accounts
20							
Discount							allowed
6							
Receipt		from			credit		customers
2904							
Payments				to			creditors
2207							
Irrecoverable			debts		written		off
12							
Customers'				cheques			dishonored
50							
Payables	ledger	credit		transferred		to	receivables
240							
Additional information;							

1. An account of sh.200, 000 previously written off was received in the month of December 2019.
2. Claims by ALLY Ltd for price reduction in the month of august 2019. Due to defective goods was approved by suppliers amounting to sh.150, 000.
3. An invoice issued of sh.480, 000 was omitted from the relevant day book.

Required;

- i. Sales ledger control account. (5 marks)**
- ii. Purchases ledger control account. (5 marks)**