



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS**

UNIVERSITY EXAMINATION FOR THE DEGREE OF BSC AGRIBUSINESS

MANAGEMENT

2ND YEAR 1ST SEMESTER 2017/2018 ACADEMIC YEAR

MAIN CAMPUS

COURSE CODE: BBM 3212

TITLE: BUSINESS ACCCOUNTING

EXAM VENUE: LAB 2

STREAM: AGRIBUS

DATE: 19/12/17

EXAM SESSION: 9.00 – 11.00AM

TIME: 2 HOURS

INSTRUCTIONS:

- 1. Answer question 1 (compulsory) and ANY other TWO questions.**
- 2. Write all answers in the booklet provided.**
- 3. Do not write on the question paper.**

- 1) Answer Question **ONE (COMPULSORY)** and any other **TWO** Questions.
- 2) Question ONE carries 30 Marks, while other Questions each carry 20 Marks.

QUESTION ONE

a) Michael Omena started a business as a Fish Monger on 1st September 2017. His transactions during the month of September were as follows:

- Sept. 1 Opened bank account and deposited Kshs.40,000 and Cash in Hand was Kshs.10,000
- Sept. 3 Paid in cash rent Kshs.3,500
- Sept. 6 Sold fish Kshs.58,000 and received cash
- Sept. 10 Purchased fish Kshs.20,000 from Usenge Fisheries and paid half of the amount involved by Cheque.
- Sept. 11 Sold fish Kshs.15,000 on credit to Matunda Exporters
- Sept. 13 Matunda Exporters returned some fish and received a credit note for Kshs.2,000
- Sept. 16 Received Cheque of Kshs.7,000 from Matunda Exporters on account
- Sept. 22 Withdrew Kshs.5,000 from bank for personal use
- Sept. 28 Paid Usenge Fisheries by Cheque the full amount due to them less 5% cash discount
- Sept. 29 Paid salaries Kshs.4,700 in cash and water bills worth Kshs.500 by Cheque

Required

- (i) Journal entries to record the above transactions. **(10 Marks)**
- (ii) Post the transactions to the Ledgers and balance off. **(9 Marks)**
- (iii) Prepare a trial balance as at 30th September 2017. **(5 Marks)**
- b) Accounting statements are prepared in conformity with accounting concepts and conventions. Briefly explain **Six** accounting concepts. **(6 Marks)**

QUESTION TWO

- a) Briefly explain the main causes of difference in Cashbook balance of a trader and his/her bank statement balance. **(4 Marks)**
- b) On 1st September, 2017. Igonji had Kshs.55,000 in hand and Kshs.250,000 at bank. During the month, the following transactions took place:

- Sept. 2 Cash sales Kshs.35,260
- Sept. 3 Bought Ribbons in cash Kshs.4,500
- Sept. 8 Paid Wangila, a creditor Kshs.94,000 by Cheque in full settlement of his account after deducting 6% cash discount
- Sept.12 Received a Cheque for Kshs.58,800 from Wetu after allowing her a cash discount of Kshs.1,200
- Sept. 15 Paid salaries Kshs.34,000 in cash
- Sept. 25 Withdrew Kshs.50,000 from Bank for office use
- Sept. 28 Anyango, a debtor paid her account of Kshs.75,000 by Cheque less 10% cash discount
- Sept. 30 Deposited all the cash into bank except Kshs.13,700

Required:

Prepare a three-column cashbook and balance it off. **(10 Marks)**

- c) Briefly explain, giving illustrations of each, the following terms: **(6 Marks)**
- (i) Accruals
 - (ii) Prepayments
 - (iii) Provisions

QUESTION THREE

Greenview Ltd has given you the following balances extracted from its books as at 31st December 2016.

	Kshs.
Cash in Hand	120,000
Cash at Bank	1,100,000
Stock 1.01.2016	2,100,000
Debtors	800,000
Creditors	950,000
Return Inwards	50,000
Return Outwards	50,000
Sales	5,600,000
Purchases	2,050,000
Capital	1,490,000
Salaries	400,000
Water and Electricity	60,000
Postage	20,000
Drawings	90,000
Stock 31.12.2016	1,350,000
Furniture and Fittings	750,000
Motor Van	3,500,000
Loan (NIC Bank)	3,000,000
Rent Received	120,000
Office Rent	170,000

Required

- a) Trial Balance as at 31st December 2016. **(4 Marks)**
- b) Trading, Profit and Loss Account for the year ending 31st December 2016. **(9 Marks)**
- c) Balance Sheet as at 31st December 2016. **(7 Marks)**

QUESTION FOUR

- a) On 1st January 2006, a company purchased two motor vans costing Kshs.300,000 each. The policy of the company is to charge depreciation at the rate of 20% in the year of acquisition but none in the year of disposal. One motor van was sold on 20th October 2008 for Kshs.150,000.

Required:

- (i) Motor Van Account **(3 Marks)**
- (ii) Disposal of Motor Van Account **(2 Marks)**
- (iii) Provision for Depreciation of Motor Van Account. **(5 Marks)**

b) In preparing the accounts of your company, you are faced with a number of problems. These are:

- (i) The long-term future success of the company is extremely uncertain.
- (ii) At the year end, an amount is outstanding for water that has been consumed during the accounting period.
- (iii) During the year, the company purchased Kshs.1,000 of biro pens. These had all been issued from stock and were still in use at the end of the year.
- (iv) A debtor owes a large amount to the company is rumoured to be going into liquidation.
- (v) The company has had a poor trading year and the Directors believe that more balanced results could be presented if a LIFO (Last-In-First-Out) stock validation method was adopted instead of the present FIFO (First-In-First-Out) method.

Required:

State the relevant accounting concept in each of the above problems explaining its relevance.

(10 Marks)

QUESTION FIVE

- a) Compare and contrast the **three** main forms of business organization. **(12 Marks)**
- b) Explain the significance of accounting to a business organization. **(8 Marks)**