

JARAMOGI OGINGA ODINGA



UNIVERSITY OF SCIENCE AND

TECHNOLOGY

SCHOOL OF BUSINESS & ECONOMICS

UNIVERSITY EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION

WITH IT YEAR ONE SEMESTER ONE

KENDU-BAY LEARNING CENTER

COURSE CODE: ABA 103

COURSE TITLE: **INTRODUCTION TO ACCOUNTING 1**

EXAM VENUE: KLC

STREAM: (ABA)

DATE:

EXAM SESSION:

TIME: 2 HOURS

Instructions:

1. Questions ONE is compulsory and must be attempted.
2. Answer any other THREE from the four questions.
3. Candidates are advised not to write on the question paper.
4. Candidates must hand in their answer booklets to the invigilator while in the examination room

QUESTION ONE

- i. Explain at least **three** accounting specializations. (3marks)
- ii. Accounting is a process that starts with the preparation of source documents, name and explain **three** source documents that are used in accounting. (3marks)
- iii. Briefly explain the uses of journals in accounting. (2marks)
- iv. Identify **four** users of accounting information and explain how this information is important to them. (4marks)

v. Mr. Shem Ochuonyo started a business in the name of Our Price Bookshop on 1st July 2014. During the month of July, he performed the following transactions:

- 1st Started business with sh. 60500 in the bank.
- 2nd Bought fittings worth sh. 2700 paying by cheque.
- 4th Bought stationery for resale from Sambain Book suppliers worth sh. 15600 on credit
- 4th Bought stationery for use in the business worth sh. 3200 paying by cheque
- 5th Bought a delivery motor cycle on credit from Menengai Motors for sh. 200000 and paid annual insurance expense on the truck worth sh. 20000 by cheque
- 7th Bought text books for resale by cheque sh. 4500
- 7th Bought books for resale on credit from Nambawan Traders sh. 15400
- 12th Sold books for cash sh. 6500 to Tegemeo school
- 13th Sold books on credit to Wabera college worth sh. 11500
- 15th Received a bank loan cheque from ABC Bank worth sh. 64000 to expand the business
- 17th Paid Nambawan traders sh. 12000 by cheque on account
- 20th Paid wages in cash worth 2340
- 21st Paid Menengai Motors sh. 29000 by cheque
- 21st Sold goods on credit to Samson worth sh. 5600
- 23rd Paid sh. 4500 for fuel and oil by cheque
- 24th Recorded cash sales of sh. 4560 from Kajulu school
- 25th Purchased a mobile phone for use in the business worth sh. 4500 paying by cheque
- 26th Paid Motor Cycle expenses in cash worth sh. 1200
- 30th Paid electricity worth sh. 1250 in cash and sh. 850 by cheque and rates to Homa Bay County worth sh. 1479 by cheque

Required

- i. Prepare ledger accounts to record the transactions and balance off the accounts (10marks)
- ii. Extract a trial balance on 30th July 2004 (8marks)

QUESTION TWO

On 31st December 2008 an experienced book keeper working for Mr. Raburu a sole trader extracted a trial balance. Due to errors committed by the book keeper, the trial balance failed to balance by sh. 369400. He placed the difference in a suspense account as shown below:

Raburu's trial balance as at as at 31st December 2008 (in shillings)

Fixed assets – cost	832000	
Stock 1 st January 2008	148000	
31 st December 2008		98800
Trade debtors		76000
Prepayments		10000
Trade creditors	34600	
Bank overdraft		15200
Accruals		16000

Drawings	359600	
Capital		1054000
Sales	1043200	
Provision for depreciation		166400
Purchases		733000
Operating expenses	126000	
Provision for doubtful debts		3800
Discount received	5000	
Discount allowed		5800
Suspense account	2548400	248400

Investigations carried out after preparing the above trial balance detected the following errors.

1. The totals of the sales day books for December 2008 was overcast by sh. 25700
2. On 2nd July 2008 the business purchased office equipment for sh. 40000. These were debited to purchases account.
3. Depreciation on the equipment is at the rate of 10% per annum on cost and based on the period (months) of usage in the year.
4. A payment to creditor by cheque of sh. 8500 was erroneously credited to creditor's account.
5. A payment of sh. 4500 for telephone expenses was debited to telephone account as sh. 5400.
6. An amount of sh. 15000 received from a debtor not posted to debtors account from cash book.
7. An amount of discount received of sh. 2500 was debited to discount allowed account.
8. Purchases day book for October 2001 was undercast by sh. 28000.
9. Assume the business reported a net profit of sh. 85800 before adjusting for the above error.

- Required:**
- a) Adjusted trial balance and the correct balance of the suspense account. (6marks)
 - b) Journal entries to correct the errors (Narration not required) (6marks)
 - c) Suspense account starting with the balance determined in the adjusted trial balance in (a) above (4marks)
 - d) The adjusted net profit for the year (4marks)

QUESTION THREE

- a) State the reasons for maintaining Control accounts (4marks)
- b) The following information has been extracted from the books of Wakenya Traders Limited for the month of April 2012

Balances as at 1st April 2012

Sales ledger –Debit balances	838000
- Credit balances	184000
Purchases ledger – Debit balances	196000
- Credit balances	598000
Transactions during the month	
Credit sales	8784000
Credit purchases	7849000
Return inwards	248000
Return outwards	179000
Cheques received from trade debtors	2968000

Cash paid to trade creditors	4674000
Bad debts written off	139000
Discount allowed to trade debtors	162000
Discounts received from trade creditors	231000
Credit sales offset against credit purchases	356000
Credit purchase of a motor vehicle posted in the purchases ledger	598000
Dishonored cheques from trade debtors	193000
Cash received to replace dishonored cheques from trade debtors	106000
An invoice to trade debtors of sh. 174000 posted as	147000

Balance as at 30th April 2012 shows a sales ledger credit balances of sh. 123000 and a purchases ledger debit balances of sh. 177000.

Required: Calculate the sales ledger and purchases ledger control accounts for the month ended 30th April 2012. (16marks).

QUESTION FOUR

I. Describe the accounting equation giving examples of each element. (4marks)

II. Mr. Chai has been trading for some years as a wine merchant. The following list of balances has been extracted from his ledger as at 30th April 2007

Capital	83887	Discount received	1750
Sales	259870	Return outwards	13407
Trade creditors	19840	Discount allowed	2306
Provision for doubtful debts	512	Purchases	135680
Return inwards	5624	Carriage outwards	4562
Drawings	18440	Carriage inwards	11830
Rent, rates and insurance	25973	Heating and Lighting	11010
Postage stationary and telephone	2410	Advertising	5980
Salaries and wages	38521	Bad debts	2008
Cash in hand	534	Cash at bank	4440
Stock as at 1 st May 2006	15654	Trade debtors	24500
Fixtures and fittings at cost	20740	Depreciation	12074
Provision for depreciation on fixtures and fittings as at 30 th April 2007	63020		

The following additional information as at 30th April 2007 is available:

- Stock at the close of the business was valued at sh. 17750
- Insurance have been prepaid by sh. 1120
- Heating and lighting is accrued by sh. 1360
- Rates have been prepaid by sh. 5435
- The provision for doubtful debts is to be adjusted so that it is 3% of trade debtors.

Required: Prepare Mr. Chai's trading and profit and loss account for the year ended 30th April 2007 and a balance sheet as at that date. (16marks)