



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT**

1ST YEAR 1ST SEMESTER 2017/2018 ACADEMIC YEAR

NAIROBI CITY LEARNING CAMPUS

COURSE CODE: ABA 103

COURSE TITLE: INTRODUCTION TO ACCOUNTING 1

EXAM VENUE : STREAM : (BBA)

DATE : EXAM SESSION :

Instructions :

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 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 ONE

- (a) Define accounting (2 marks)
- (b) Distinguish between the following terms
- (i) Fixed asset and current assets (2marks)
 - (ii) Long-term liabilities and current liabilities (2marks)
 - (iii) Capital expenditure and revenue expenditure (2 marks)
- (c) Describe five books of original entry (10 marks)
- (d) A cashier in a firm starts with Sh 20,000 in the month June (that is the cash float)

In the following week, the payments made were as follows

	Shs.
1 st June –bought stamps for	800
2 nd June- paid bus fare	1,200
2 nd June –cleaning materials	2,400
3 rd June- bought fuel	1,500
3 rd June- cleaning wages	3,000
4 th June-bought stamps	2,000
4 th June-paid Johnson (creditor)	4,000
5 th June-fuel costs	1,500

On 5th of June the cashier requested for a refund of the cash spent and this amount was reimbursed back

Required:

Prepare a detailed petty cash book showing the balance to be carried forward to the next period and the relevant expense accounts, as they would appear on the General Ledger

(12 marks)

QUESTION TWO

KK Ltd has the following assets and liabilities as on 1st January 2016

Creditors Sh39,500, Equipment Sh. 115,000, motor vans Sh.62,900, Stock, Sh.61500, Debtors Sh.57,700, cash at bank Sh.72,800 and cash in hand Sh.400.

During the year the following transactions took place

- (a) Bought extra equipment on credit for Sh.13,800
- (b) Bought extra stock by cheque Sh.5,700
- (c) Paid creditors by cheque Sh.7,900
- (d) Received from debtors Sh.8,400 by cheque and sh,600 by cash
- (e) Put in an extra sh,2,500 cash as capital

Required

- (a) Draw up all the relevant accounts **(12 marks)**
- (b) Draw up the balance sheet as at 31st December 2016 **(8 marks)**

QUESTION THREE

On 31st March 2016 the trial balance that follows was taken out from the books of ZED ZED Ltd. Prepare the trading profit or loss account for the year and the balance sheet as at that date after making the following adjustments

	DR	CR
Trial balance		92,230
Capital account		126,177
Sales		
Creditors		22,680

Other creditors		1,000
Purchases return		3,172
Bills payable		6,422
Plant and machinery	55,000	
Fixtures and fittings	1,720	
Factory fuel and power	542	
Office salaries	3,745	
Lighting (factory)	392	
Travelling expenses	925	
Carriage on sales	960	
Cash at bank	2,245	
Cash in hand	68	
Debtors	47,800	
Purchases	83,290	
Manufacturing	9,915	
Rent and taxes	1,765	
Office expenses	2,778	
Carriage on purchases	897	
Discount	422	
Drawings	6,820	
Stock 1st April 2015	21,725	
Manufacturing expenses	2,680	
Sales return	7,422	
Insurance	<u>570</u>	
	<u>251,681</u>	<u>251,681</u>

Adjustments

(a) Depreciate plant and machinery 5% and fixtures and fittings 10%

- (b) Provide for doubtful debts 25% of debtors
- (c) Provision for rent for March Sh.150
- (d) Unexpired insurance was Sh. 70
- (e) Wages and salaries outstanding were shs.800 and shs.350 respectively
- (f) Stock on 31ST March 2016 was Sh.16, 580
 - (i) Profit and loss account **(10 marks)**
 - (ii) Balance sheet **(10 marks)**

QUESTION FOUR

- (a) Describe any **four errors that do not affect** the trial balance **(8 marks)**

- (b) A bookkeeper extracted a trial balance on 31st December 2016 that failed to agree by Sh.3, 300, a shortage on the credit side of the trial balance. Suspense account for the difference.

In January 2017 the following errors made in year 2016 were found:

Additional information

- (i) Sales day book had been under cast by Sh.1,000
- (ii) Sales of Sh.2,500 to Jack had been debited in error to Jane’s account
- (iii) Rent account had been under cast bySh.700
- (iv) Discount received account had been under cast by Sh.3, 000.
- (v) The sales of motor vehicle at book value had been credited in error to sales account Sh.3,600’

Required

- (a) Show the journal entries necessary to correct the errors **(8 marks)**
- (b) Draw up the suspense account after the errors described have been corrected **(4 marks)**

QUESTION FIVE

(a) Explain the meaning of following concepts/principles in financial accounting and give an example of each of the principles or concepts

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|-------------------|------------------|
| (i) Going concern | (4marks) |
| (ii) Accruals | (4 marks) |
| (iii) Prudence | (4 marks) |
| (v) Materiality | (4 marks) |
| (v) Relevance | (4 marks) |