



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

**UNIVERSITY EXAMINATION FOR THE DEPARTMENT OF BUSINESS LOGISTICS
AND SUPPLY CHAIN MANAGEMENT**

1ST YEAR 1ST SEMESTER 2017/2018 ACADEMIC YEAR

NAIROBI CITY LEARNING CENTRE

COURSE CODE: BBM 3111

COURSE TITLE: PRINCIPLES OF ACCOUNTING 1

EXAM VENUE :

STREAM : (BLSM)

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) Using relevant examples explain **four** concepts/ principles of financial accounting
(8marks)

(b) The users of financial statements are those groups identified as having reasonable right of information and whose information needs should be recognized.

Identify **four** groups and explain why each is interested in financial statements of a business enterprise

(4 marks)

(c) Draw up the asset, capital and liability accounts in the books of Nairobi ltd to record the following transactions

2016

June.

1.Started business with Sh, 50,000 in the bank

1. Bought motor van paying by cheque Sh.12,000

2. Bought fixtures sh.4,000 on credit from office masters Ltd

3. Bought a van on credit from motor cars ltd sh.8,000

4.. took sh.1000 out of the bank and put it into the cash till Or

5. bought fixtures paying by cash Sh.600

6. paid motor car ltd by cheque Sh.8,000

7. a loan of Sh.10,000 cash is received

8. Marcus paid sh, 8,000 of the cash in hand into the bank account

9. Bought more fixtures paying by cheque 3,000

Extract a trial balance of Nairobi Ltd as at 30th June 2016 after posting all the transactions in the c a above. **(18 marks)**

QUESTION TWO

- (a) Explain with examples why cash a book balance differs with the bank statement (4 marks)
- (b) The balance in the cash book of Mr. D. Brawn as at 31st January, 2016 was Ksh.10.000 (credit).On the same date the balance as per the bank statement was Ksh.30,000.

On the examining the bank statement and the cash book, the following differences were observed.

- (i) Cheques totaling ksh.12,000 had been paid into the bank on 31 January,2016 but were not credited by the bank until 1st February, 2016
- (ii) Bank charges amounted to Ksh.1500
- (iii) Standing order to KPLC of Ksh.2, 200 had been paid by the bank but not entered in the cash book
- (v) Dividend income amount Ksh. 11,000 collected by the bank did not a pear in the cash book
- (v) Cheques totaling Ksh.44, 700 had been paid to suppliers but not presented to the bank

Required

- (i) Adjusted cash book (8 marks)
- (ii) Bank reconciliation statement (8 marks)

QUESTION THREE

- (a) Explain the purpose for which control accounts are prepared in a business Organization (6marks)
- (b) D T Ltd maintains control accounts in its business records .The balances and transactions relating to the company's control accounts for the month of December 2013 are listed below:

Balances 1st December 2013:

Sales ledger	6,185,000 (debit)
	52,500 (credit)

Purchases ledger	16,500 (debit)
	4,285,000 (credit)
Transactions during	
December 2013:	
Sales on credit	8,452,000
Purchases on credit	5,687,500
Return inwards	203,500
Return outwards	284,000
Bills of exchange payable	930,000
Bills of exchange receivable	615,000
Cheques received from customers	7,985,000
Cheques paid to supplies	4,732,000
Cash paid to suppliers	88,500
Bills payable dishonoured	400,000
Charges on bills payable	10,000
Cash received from credit customers	153,000
Bad debts written off	64,000
Cash discounts allowed	302,000
Bills receivable dishonoured	88,500
Balances at 31 st December 2013:	
Sales ledger	44,000 (credit)
Purchases ledger	
Purchases ledger	23,500 (debit)

Required:

Post the sales ledger and purchases ledger control accounts for the month of December 2013 and derive the respective debit and credit closing balances

(14 marks)

QUESTION FOUR

(a) What is a partnership (2 marks)

(b) List any six contents of a partnership deed (6 marks)

(b) Draw up a profit and loss appropriation account for the year ended 31st December 2016

from from the following information and partners current accounts

- (i) Capital accounts: balances b/f W Sh.40,000,P Sh.30,000,H Sh.18,000
- (ii) Current accounts: balances b/f W Sh.1,860 , P Sh.946,H Sh.717
- (iii) Drawings: W Sh.9,200 , P Sh 7'100,H Sh.6,900
- (iv) Interest to be charged on capitals: W Sh.2,000 , P Sh 1,500,H Sh.,900
- (v) Interest to be charged on drawings: W Sh.240 , P Sh 180,H Sh.,130
- (vi) Net profits Sh.30,350
- (vii) Profits to be shared W 50% , P 30%,H 20%
- (viii) Salaries to be credited: P Sh.2,000, H Sh.3,500

Hint. Appropriation account

Capital account

Current account

(12 marks)

QUESTION FIVE

The objective of financial statement is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions.

Explain **five** qualitative characteristics of financial statements **(20 Marks)**

