



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BUSINESS
ADMINISTRATION
1ST YEAR 1ST SEMESTER 2016/2017 ACADEMIC YEAR
KISUMU CAMPUS

COURSE CODE: ABA 103

COURSE TITLE: INTRODUCTION TO ACCOUNTING-I

EXAM VENUE;

STREAM: ACCOUNTING

DATE

EXAM SESSION:

TIME: 2 HOURS

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

Explain the meaning and the differences between:

- a.) Capital expenditure and revenue expenditure **(4 Marks)**
- b.) Name and briefly describe three methods of depreciation **(6 Marks)**
- c.) Explain six causes of the difference between the bank statement balance and the cash book balance **(12 Marks)**
- d.) Explain the following terms and give example of each:
 - i.) Error of principle **(4 Marks)**
 - ii.) Compensating error **(4 Marks)**

QUESTION TWO

- a.) Alpha-Beta maintains sales ledger and purchases ledger control accounts. You have obtained the following information from the books of original entry of Alpha-Beta for the year ended 31 December 2006.

		Sh.
Sales	: Cash	4,000,000
	: Credit	3,500,000
Purchases	: Cash	155,000
	: Credit	6,505,600
Total receipts from customers		7,500,000
Total payments to suppliers		6,505,000
Bad debts written off		8,000
Dishonoured cheques from customers		20,000
Discount allowed		50,000
Discount received		39,000
Refund to a customer who overpaid his account		5,000
Refund to cash customers		
Balance in the sales ledger set-off against balance in the purchase ledger		700
Increase provision for bad debt		850
Credit notes issued to customers		35,000
Credit notes received from suppliers		15,000

Audited accounts for the previous year showed that as at 31 December 2005 the balances of debtors and creditors were sh. 360, 000 and sh. 430,000 respectively.

Required.

Sales and purchases control accounts showing the end of year totals for debtors and creditor **(14 Marks)**

- b.) Explain the merits of maintaining sales ledger and purchases ledger control accounts as integral parts of accounting records. **(3 Marks)**
- c.) What are the **three** advantages of control account in a manual accounting system? **(3 Marks)**

QUESTION THREE

The bank balance of John Kimaru did not agree with the cash book balance of sh. 1,365,000 as at 30 September 2007. On comparing the bank statement and the cash book he found the following differences:

- 1.) The unpresented cheques amounted sh. 174,000.
- 2.) Cheques amounting to sh. 278,000 banked on 29 September 2007 were not credited by the bank until 3 October 2007.
- 3.) Bank charges amounting to sh. 24,000 has been debited in the bank account.
- 4.) Interest of sh. 31,000 on fixed deposit has been credited to the account by the bank.
- 5.) A debtor paid sh. 175,000 direct to the bank and the amount has been credited to account by the bank.
- 6.) A cheque of sh. 75,000 deposited on 26 September 2007 was returned as unpaid but has not been received in the office;
- 7.) Standing orders amounting to sh. 95,000 have been paid by the bank.
- 8.) A cheque of sh. 74,000 has been posted in the cash book as sh.47, 000.

Required:

- a.) Adjust Cash book **(12 Marks)**
- b.) Bank reconciliation statement as at 30 September 2007 **(8 Marks)**

QUESTION FOUR

The following trial balance was extracted from the book of James Kinyua a sole trader as at 31st December 2004

	Sh.	Sh.
Building at cost	3,000,000	
Motor vehicle at cost	1,600,000	
Provision for depreciation (on motor vehicle) 1 st January 2004		700,000
Discount allowed and received	20,000	15,600
Purchases	15,769,000	
Sales		20,804,400
Electricity	255,000	
Rates	130,000	
Insurance	105,000	
Return inward and outward	189,000	149,400
Bad debts	92,000	
Provision for bad and doubtful debts January 2004		72,000
Debtors and creditors	1,920,000	1,485,000
Stock in trade January 2004	2,875,600	
Balance at bank		484,000
Capital		4,131,600
Wages	1,286,400	
Drawings	600,000	
	<u>27,842,000</u>	<u>27,842,000</u>

The following additional information is relevant

1. Stock as at 31st December 2004 amounted to 3,072,600
2. Amount accrued as at 31st December 2004. Electricity sh. 15,000 and bonus to employee sh. 100,000
3. Insurance prepaid at 31st December 2004 was sh. 35,000
4. Included in the insurance payment is an amount of sh. 15,500 for James Kinyua personal vehicle.
5. Provision for bad and doubtful debt is 5% of debtors.
6. Depreciation to be provided as follows -: 20% on motor vehicle on reducing balance and 10% on building on SLM

REQUIRED

- a. Trading , profit and loss account for the year ended 31st December 2004 (12 Marks)
- b. Balance sheet as at 31st December 2004 (8 Marks)

QUESTION FIVE

Write up a three-column cashbook from the following details, balanced off, and the relevant discount accounts in the general ledger.

2008

- Mar 1 Balances brought forward: Cash £230; Bank £4,756.
- “ 2 The following paid their accounts by cheque, in each case deducting 5 percent discounts: R Burton £140; E Taylor £220; R Harris £800.
- “ 4 Paid rent by cheque £120.
- “ 6 J Cotton lent us £1,000 paying by cheque.
- “ 8 We paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: N Black £360; P Towers £480; C Rowse £300.
- “ 10 Paid motor expenses in cash £44.
- “ 12 H Hankins pays his account of £77, by cheque £74, deducting £3 cash discount.
- “ 15 Paid wages in cash £160.
- “ 18 The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston £260; R Wilson & Son £340; H Winter £460.
- “ 21 Cash withdrawn from the bank £350 for business use.
- “ 24 Cash Drawings £120.
- “ 25 Paid T Briers his account of £140, by cash £133, having deducted £7 cash discount.
- “ 29 Bought fixtures paying by cheque £650.
- “ 31 Received commission by cheque £88.