



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR DIPLOMA IN BUSINESS ADMINISTRATION
1ST YEAR 2ND SEMESTER 2015/2016 ACADEMIC YEAR
MAIN CAMPUS RESIT

COURSE CODE: BBM 2122

COURSE TITLE: INTRODUCTION TO ACCOUNTING

EXAM VENUE: LAB 1

STREAM: (DBA)

DATE: 04/05/16

EXAM SESSION: 9.00 – 10.30AM

TIME: 1½ 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

- a) The following trial balance was extracted from the books of Ranalo holdings ltd as at 31st December 2013:

RANALO HOLDINGS LTD. TRIAL BALANCE AS AT 31st Dec 2013

Details	DR.	CR.
Capital		1,840,000
Debtors	190,000	
Carriage inwards	150,000	
Sales		1,280,000
Cash	130,000	
Discount received		50,000
purchases	900,000	
insurance	40,000	
drawing	100,000	
Discount allowed	30,000	
advertising	80,000	
Bank	270,000	
Sales returns	60,000	
Stock 1/12/2013	230,000	
Land and building	1,200,000	
Bank loan		600,000
creditors		310,000
Motor vehicle	750,000	
Purchase returns		50,000
TOTAL	4,130,000	4,130,000

Additional information

- i) Closing stock as at 31st December 2013 was sh.300, 000

Required:

- (i) Income statement as at 31st December 2013 (10 marks)
(ii) Statement of financial position as at 31st December 2013 (10 marks)

- b) Write brief notes to explain the following accounting concepts giving relevant examples:

- (i) Consistency concept (3 marks)
(ii) Periodicity concept (3 marks)
(iii) Entity concept (3 marks)

- c) Enumerate why the financial statements of a business would be of great importance to the Government. (1 mark)

Question Two

Daudi opened a business in Kendu Bay on 1st January 2015 and the following transactions took place during the month of January 2015:

- 1st Jan. Introduced 400,000 in cash into the business from his private bank account
- 2nd Jan. Opened a business bank account by transferring sh.280, 000 of business cash into the account
- 5th Jan. paid sh.40, 000 in cash being rent for the month
- 6th Jan. bought second hand shop equipment at sh.30, 000 and paid by cheque
- 9th Jan. Purchased goods for resale at sh.10, 000 paying them in cash
- 11th Jan. Purchased goods for resale on credit worth sh.25, 000 from Naomi
- 20th Jan. returned goods worth sh.2, 000 to Naomi
- 23rd Jan. made cash sales of sh.40, 000
- 25th Jan. paid Naomi sh.20, 000 by cheque, the balance being treated as discount
- 26th Jan. sold goods on credit worth sh.50, 000 to Joyce
- 27th Jan. Joyce returned goods worth sh.10, 000
- 30th Jan. received a cheque for sh.35, 000 from Joyce in settlement of her account, the balance being treated as cash discount
- 30th Jan. made cash withdrawal from the bank of sh.20, 000 for his private use

Required:

- (a) Post the transactions to the respective ledger accounts and balance them off as at 30th January 2015 (10 marks)
- (b) Extract a trial balance from the ledger accounts above (10 marks)

Question Three

- a) Write brief notes on the following methods of calculating depreciation:
- i) Straight line method (2 marks)
- ii) Reducing balance method (2 marks)

- b) ABC Ltd bought a photocopier for sh.150, 000.00 on 1st January 2015. The photocopier has a useful life of 5 years and a scrap value of 10,000.00.

Required:

Calculate the depreciation to be charged over the useful life of the photocopier (6 marks)

- c) State five users of accounting information and their information needs (10 marks)

Question Four

The following transactions were obtained from the records of Maji Tamu traders for the month of January 2013.

Jan. 1st : Assets: Machinery sh.94,000, Motor Vehicles sh.129,000, Stock sh.82,250,Debtors sh.2,975,Cash sh.385

Liabilities: Creditors sh.4,450,Bank overdraft sh.17,250

Jan. 3rd : Purchased from Otieno &sons Ltd:50 bags of millet@sh 2,500 each,25 bags of [wheat@sh.4,000](#) each,10 bags of [maize@sh.3,000](#) each, invoice subject to 20% trade discount.

Jan.8th : Sold to Were &Co 15 bags of wheat @ sh.5,000 each.

Jan.10th : Returned to Otieno & Sons Ltd 3 bags of millet,1 bag of maize, all damaged in transit

Jan.12th : Were &Co returned 2 bags of wheat

Jan.15th : Purchased from Issa traders 60 bags of maize @sh.2,900 each,40 bags of wheat @ sh.4,100 each,50 bags of millet @sh.2,450 each. Invoice subject to 15% trade discount

Jan.22nd : Sold to Otieno Penge 40 bags of [millet@sh.3,000](#) each,20 bags of [maize@sh.3,500](#) each, Whole transaction subject to 20% trade discount

Jan.30th : Otieno Penge returned 2 bags of maize,4 bags of millet all defective.

Required:

Prepare the following journals:

- i) General Journal (4 marks)
- ii) Purchases journal (4 marks)
- iii) Sales journal (4 marks)
- iv) Return outward journal (4 marks)
- v) Return inward journal (4 marks)

Question Five

In relation to the Trial Balance , briefly explain the errors in the two categories (20 marks)