



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN**  
**AGRIBUSINESS MANAGEMENT**  
**2<sup>ND</sup> YEAR 1<sup>ST</sup> SEMESTER 2017/2018 ACADEMIC YEAR**  
**MAIN CAMPUS**

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**COURSE CODE: BBM 3212**

**COURSE TITLE: BUSINESS ACCOUNTING**

**EXAM VENUE:**

**STREAM: (BSC. Agribusiness Management)**

**DATE:**

**EXAM SESSION:**

**TIME: 2 HOURS**

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**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) Citing relevant examples in each case, briefly explain on the users of the accounting information. (8 Marks)
- b) On April 2017 the financial position of G.K. Mutongoi , a garage proprietor, was as follows:-

PARICULARS	AMOUNT (KSHS)
Land and Buildings	30,000,000
Cash in hand	240,000
Cash in Bank	21,000,000
Debtors - Opiyo	320,000
Creditor - Kisilu	80,000
Fixtures and fittings	1,100,000
Stock on hand	33,830,000

The following information took place in the month of May 2017:-

- May 2017:    2        -Paid wages Kshs.164,000 in cash  
                              -Obtained from bank Kshs.300,000 for office use  
                              -Purchased in cash National Insurance stamps for Kshs.14,000
- 6        -Opiyo paid by cheque one- half of the amount owing on 30<sup>th</sup> April  
                              Deducting a 2.5% discount from his remittance which J. Mose disallowed
- 9        -Purchased stocks on credit Kshs. 500,000 from Maina's Petroleum  
                              Products Ltd and received a trade discount of 10 percent.
- 10        -Made cash sales for Kshs.272,000
- 13        -Banked Kshs.240,000
- 15        -Purchased on credit stok worth Kshs.1,300,000 from T. Distributors  
                              Ltd subject to 20% trade discount.
- 16        -Paid wages Kshs.188,000 in cash
- 18        -Cash sales Kshs.260,000
- 21        -Purchased a lorry for use in business from Simba Motors for Kshs.  
                              3,200,000, paying a half of the costby cheque. The balance to be paid  
                              Later.
- 23        -Made credit sales to Sanjero for Kshs.1,440,000
- 24        -Dispatched some invoices for reapirs to Paul, Irungu, and Abonge  
                              Kshs.26, 000, Kshs.84, 000 and Kshs.160, 000 respectively.
- 28        -Cash sales of Kshs.190,000

- 29 -Received cash from a customer for the job done on the same day Kshs. 24,000.
- 30 -Abonge paid his account in cash and was allowed cash discount of 2%.  
-Paid wages in cash Kshs.148,000
- 31 -Bought goods worth Kshs.160,000 from Maina's petroleum Products Ltd. subject to trade discount of 10%.

**Required:**

- i) Enter the balances shown of 30<sup>th</sup> April 2017 in the opening Journal and post them to the relevant accounts. (3 Marks)
- ii) Write up three column cash book for the month of May 2017. (6 Marks)
- iii) Post the transactions to the relevant accounts and balance off –accounts.(6 Marks)
- c) P. Nyakundi and A. Musyoka are in partnership sharing profits and losses in the ratio of 3:2 respectively .During the year ended 31<sup>st</sup> December 2017 the net trading profit was Kshs.15,500 and the partner's drawing were:-

P. Nyakundi	Kshs. 3,000
A.Musyoka	Kshs.2,500

Interest is charged on partner's capital at a rate of 5%. No interest is charged on drawings.  
A.Musyoka is entitled a salary of Kshs. 1,500.

Balances in partner's account are show as below:

	Capital a/c	Current a/c
P. Nyakundi	Kshs.20,000	Kshs.1,570
A.Musyoka	Kshs.15,000	Kshs. 890

**Required:**

- i) Prepare the partnership profit and loss appropriation account (3 Marks)
- ii) Prepare the partnership current account (3 Marks)

## **QUESTION TWO**

The books of John Kaloki did not agree with the cash book balance of Kshs.1,365,000 as at September 2016. On comparing the bank statement and the cash book he found the following differences:-

- i) The unpresented cheques amounted to Kshs.174,000.
- ii) Cheques amounting to Kshs.278,000 banked on 29<sup>th</sup> September 2016 were not credited by the bank until 3<sup>rd</sup> October 2016.
- iii) Bank charges amounting to Kshs. 24,000 had been credited in the bank account
- iv) Interest of Kshs.31,000 on fixed deposit had been credited to the account by the bank.
- v) A debtor had paid Kshs.175,000 direct to the bank and the amount has been credited by the bank.
- vi) A cheque of Kshs.75,000 deposited on 26<sup>th</sup> September 2016 was returned as unpaid but not been received in the office.
- vii) Standing orders amounting to Kshs.95,000 had been paid by the bank.
- viii) A cheque of Kshs.74,000 had been posted in cash book as Kshs. 47,000.

### **Required:**

- a) Adjust cash book (6 Marks)
- b) Prepare a bank reconciliation statement as at 30<sup>th</sup> September 2016. (4marks)
- c) Briefly explain the difference between bad debt and provision for bad debts and their treatment in the books of account. (5 Marks)

## **QUESTION THREE**

- a) Briefly explain five errors which may not be disclosed in a trial balance (10 Marks)
- b) On 31st December 2016 B. Buke closed his books for the financial year . He found out that the total debts amounted to Kes.480,000. Included in the amount were irrevocable debts of Kshs. 2,400 owed by V.Wote,Kshs.4,500 owed by maxim Traders and Kshs.3,200 owed by D. Situma. B. Buke wrote off all those debts. In addition he decided to make a provision for bad and doubtful debts of 10% of the remaining debtors.. In the following year ended 31st December 2017 debtors totalled Kshs.490,000. There were no bad debts but B.Buke maintained the provision for bad and doubtful debts at 10% of the current debtors.

**Required:**

For each year ended 31st December show:

- i) Accounts for bad debt and provision for bad and doubtful debts. (5 Marks)
- ii) Appropriate entries in the profit and loss account (2 Marks)
- iii) Balance sheet entries on each of the above dates (3 Marks)

**QUESTION FOUR**

Give a brief definition of the below listed items and for each case clearly show its treatment in the books of account:

- i) Capital Expenditure (4 Marks)
- ii) Revenue expenditure (4 Marks)
- iii) Prepaid expenses (4Marks)
- iv) Accrued expenses (4 Marks)
- v) Accumulated funds (4 Marks)

**QUESTION FIVE**

- a) Citing relevant examples, briefly discuss on qualities of a good accounting information (10Marks)
- b) John Safari Commenced transportation business on 1<sup>st</sup> January 2015. On that date he purchased a motor vehicle for Kshs.3,000,000 in cash. On 1<sup>st</sup> January 2016 he purchased another vehicle for Kshs.4,000,000 in cash. John Safari provides depreciation at a rate of 25% per annum on a straight line method.

**Required**

Prepare a Motor Vehicle Account, Depreciation Account and Provision for Depreciation Account for the three years ended 31<sup>st</sup> December 2017 (10 marks)