



**JARAMOGI OGINGA ODINGA UNIVERSITY
OF SCIENCE & TECHNOLOGY**

UNIVERSITY EXAMINATIONS 2012/2013

**1ST YEAR 1ST SEMESTER EXAMINATION FOR THE DEGREE
OF BACHELOR OF BUSINESS ADMINISTRATION WITH IT
(BUSIA L.CENTRE)**

COURSE CODE: ABA 103

COURSE TITLE: INTRODUCTION TO ACCOUNTING

DATE: 13/8/2013

TIME: 9.00-11.00 AM

DURATION: 2 HOURS

INSTRUCTIONS

- 1. This paper consists of 5 Questions.**
- 2. Answer Question 1 (Compulsory) and any other 2 questions.**
- 3. Write your answers on the answer booklet provided.**

QUESTION ONE

Write up the following transactions in the books of S Pink:

2003

| | |
|---------|--|
| March 1 | Started business with cash £1,000. |
| “ 2 | Bought goods on credit from A Clinks £296. |
| “ 3 | Paid rent by cash £28. |
| “ 4 | Paid £1,000 of the cash of the firm into a bank account. |
| “ 5 | Sold goods on credit to J Simpson £54. |
| “ 7 | Bought stationery £15 paying by cheque. |
| “ 11 | Cash sales £49. |
| “ 14 | Goods returned by us to A Clinks £17. |
| “ 17 | Sold goods on credit to P Lutz £29. |
| “ 20 | Paid for repairs to the building by cash £18. |
| “ 22 | J Simpson returned goods to us £14. |
| “ 27 | Paid A Clinks by cheque £279. |
| “ 28 | Cash purchases £125. |
| “ 29 | Bought a motor vehicle paying by cheque £395. |
| “ 30 | Paid motor expenses in cash £15. |
| “ 31 | Bought fixtures £120 on credit from R west. |

(30 marks)

QUESTION TWO

a) who are the users of accounting information

b) Differentiate between the following terms as used in accounting

- i) Assets and liabilities
- ii) Incomes and expenses
- iii) Current and non currents assets

(20 marks)

QUESTION THREE

The accounting profession has for a long time relied on certain accounting conventions to guide accounting practice. Yet the application of the same conventions has been the source of criticism of the quality and relevance of information contained in financial reports.

Some of these conventions include:

- (a) The business entity principle.
- (b) The historical cost principle.
- (c) The matching principle.
- (d) The conservatism principle.

Required:

For each of the principles listed above:

- (a) Explain its meaning.
- (b) Justify its use. (20 marks)

QUESTION FOUR

Briefly explain why it is important for a business entity to prepare a bank reconciliation statement.

- (c) You have recently been employed in a medium size company and deployed in the accounts department. Your head of section has given you the following extract from the cashbook for the month of April 2003:

| | Sh. | | Sh. |
|-------------------------------------|------------------|------------------------------------|------------------|
| Receipts during the month | 2,938,000 | Balance brought forward (1.4.2003) | 1,522,000 |
| Balance carried forward (30.4.2003) | <u>1,108,000</u> | Payments during the month | <u>2,524,000</u> |
| | <u>4,046,000</u> | | <u>4,046,000</u> |

The head of section further informs you that all receipts are banked intact and all payments are made by cheque. On investigation, you discover the following:

1. Bank charges and commissions amounting to Sh. 272,000 entered on the bank statement had not been entered in the cashbook.
2. Cheques drawn amounting to Sh. 534,000 had not been presented to the bank for payment.
3. Cheques received totaling Sh. 1,524,000 had been entered in the cashbook and paid into the bank, but had not been credited by the bank until May 2003.
4. A cheque for Sh. 44,000 had been entered as a receipt in the cashbook instead of a payment.
5. A cheque for Sh. 50,000 had been debited by the bank by mistake.
6. A cheque received for Sh. 160,000 had been returned unpaid. No adjustment had been made in the cashbook.
7. All dividends receivable are credited direct to the bank account. During the month of April 2003. Dividends totaling Sh. 124,000 were credited by the bank and no entries had been made in the cashbook.
8. A cheque drawn for Sh. 12,000 had been incorrectly entered in the cash book as Sh. 132,000.
9. The balance brought forward should have been Sh. 1,422,000.
10. The bank statement as at 30 April 2003 showed an overdraft of Sh. 2,324,000.

Required:

- (i) Bank reconciliation statement as at 30 April 2003. (20 marks)

QUESTION FIVE

Mr J Ockey commenced trading as a wholesaler stationer on 1 May 2000 with a capital of £5,000.00 with which he opened a bank account for his business.

During May the following transactions took place.

- May 1 Bought shop fittings and fixtures from store fitments Ltd for £2,000.00
 May 2 Purchased goods on credit from Abel £650.00
 May 4 Sold goods on credit to Bruce £700.00
 May 9 Purchased goods on credit from Green £300.00

| | |
|--------|---|
| May 11 | Sold goods on credit to Hill £580.00 |
| May 13 | Cash sales paid into bank account £200.00 |
| May 16 | Received cheque from Bruce in settlement of his account |
| May 17 | Purchased goods on credit from Kay £800.00 |
| May 18 | Sold goods on credit to Nailor £360.00 |
| May 19 | Sent Cheque to Abel in settlement of his account |
| May 20 | Paid rent by cheque £200.00 |
| May 21 | Paid delivery expenses by cheque £50.00 |
| May 24 | Received from Hill £200.00 on account |
| May 30 | Drew cheque for personal expenses £200.00 and assistant wages £320.00 |
| May 31 | Settled the account of Green. |

Required

- a) Record the transactions in the books of prime entry.
- b) Post the entries in the ledger accounts
- c) Balance the ledger accounts where necessary
- d) Extract a trial balance as at 31 May 2000. (20 marks)