

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF INFORMATICS

COURSE: BBM 3111 PRINCIPLES OF ACCOUNTING

PART TIME EVENING CLASSES

INSTRUCTIONS:

1. Do Not Write Anything On This Question Paper.
2. Attempt Question **One**(**COMPULSORY**) and any other **two** Questions
3. Show all your workings

Question One

- a)._ What is Accounting? **(3 marks)**
- b). What is an accounting Policy? **(2 marks)**
- c). Briefly explain why each of the following groups are interested in financial statements of a business enterprise: **(10 marks)**
- i. The shareholders
 - ii. The Lenders
 - iii. The employees
 - iv. The government
 - v. Members of the public
- d). Define the following accounting concepts and for each explain their implication in the preparation of financial statements: **(15 marks)**
- i. The consistency concept
 - ii. Going concern concept
 - iii. Prudence concept
 - iv. Accrual concept
 - v. Business entity concept

Question Two

The trial balance of Wambui as at 31st December s as follows

	DR	CR
	Sh.	sh.
Sales		252,500
Purchasing	148,800	
Advertising	5,400	
Telephone	3,700	
Stock on 1 st Jan 2010	12,350	
Salaries and Wages	46,000	
Electricity	3,000	
Rent	2,000	
General Expenses	4,700	
Land and Buildings	100,000	
Furniture	30,000	
Motor vehicle	21,500	
Debtors	23,850	
Cash	125	
Creditors		12,041
Capital	<u> </u>	<u>136,884</u>
	<u>401,425</u>	<u>401,425</u>

The stock as at 31st December 2010 was valued at sh.**16,300**

Required:

- a) Draw up the trading, profit and loss account as at 31st December 2010 **(10 marks)**
- b) Prepare Wambui's Balance sheet as at 31st December 2010 **(10 marks)**

Question Three

a). Below are the various types of errors that do not affect the trial balance. Explain how each of them occurs: **(10 marks)**

- i. Error of omission
- ii. Error of commission
- iii. Error of principle
- iv. Error of original entry
- v. Compensating errors

b). The balance in the cashbook of Mr. Chuma as at 31/12/2004 was sh. 30,000. On the same date, the balance as per the bank statement was sh. 50,000 (credit). On examining the bank statement and cashbook, the following differences were observed.

1. Cheque totaling sh.8000 had been paid into the bank on 31/12/2004 but were not credited by the bank until 1/1/04
2. Bank charges amounted to sh. 600
3. A standing order to KPLC of sh.800 had been paid by the bank but not entered in the cashbook.
4. Interest income amounting to sh. 13,000 collected by the bank did not appear in the cashbook
5. Amounts paid to the suppliers but not presented for payment to the bank amounted to sh. 16,400

Required:

- i. Adjusted cashbook balance **(5 marks)**
- ii. Bank reconciliation statement **(5 marks)**

Question Four

- a) State the advantages of straight line method and reducing balance method as modes of estimating depreciation of assets **(10 marks)**

- b) XYZ Ltd issued 100,000 ordinary shares of sh. 20 each payable as follows:

	Sh.
Application	8
Allotment	7
First and final call	<u>5</u>
	<u>20</u>

All share issued were applied for money and paid on the due dates

Required:

- Draw the necessary journal and ledger account entries **(10 marks)**

Question Five

- c) List the 5 characteristics of partnerships **(5 marks)**
- d) Briefly state the reasons why a company would not wish to distribute all its profits to its shareholders **(5 marks)**
- e) XYZ Ltd issued 100,000 ordinary shares of sh. 20 each payable as follows:

	Sh.
Application	8
Allotment	7
First and final call	<u>5</u>
	<u>20</u>

All share issued were applied for money and paid on the due dates

Required:

Draw the necessary journal and ledger account entries **(10 marks)**

BBM 3111 ELEMENTS OF ACCOUNTING

COURSE OUTLINE =====

COURSE GOAL:

The major purpose of teaching this unit is to expose and prepare the students to acquire the needed knowledge of financial accounting

COURSE OBJECTIVES

The objectives of the course are to:

- To ensure that students understand the importance of accounting and the various accounting policies and concepts
- To expose the students to various accounting entries
- To impart in the students the various accounting financial ledgers and statements e.g. balance sheet, income statement and cash flow statements

COURSE TOPICS

1. Introduction to Accounting: Accounting Theory, Principles and concepts
2. Journals, Ledgers, Cash Book and Imprest System of Petty Cash
3. Accounting for Assets and Liabilities
4. Depreciation, Provision and Reserves
5. Bank Reconciliation Statements and Control Accounts
6. Extraction of Trial Balance and Final Account Adjustments
7. Financial Statements of Sole Traders: P & L Accounts, Balance Sheet
8. Partnership Accounts: Admission, Retirement or Death of a Partner
9. Manufacturing Accounts
10. Corporate Accounts
11. Issue of Shares and Debentures
12. Accounts for Non Trading Organizations

COURSE EVALUATION

The final course mark will be based on the following;

COURSE WORK

1 assignments	10 Marks
2 CATS	<u>20 Marks</u>
Course Work Total	30 Marks
Final Examination	<u>70 Marks</u>
<i>FINAL COURSE MARKS</i>	<u>100 Marks</u>