



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
1ST YEAR 1ST SEMESTER 2019/2020 ACADEMIC YEAR
MAIN CAMPUS

COURSE CODE: ABA 103

COURSE TITLE: INTRODUCTION TO ACCOUNTING

EXAM VENUE:

STREAM: (BBA)

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

The following balance sheet was extracted from the books of Katumanga Enterprises.

Katumanga enterprises

Balance sheet

As at 31st Jan 2003.

	Ksh.		Ksh
Machinery	80, 000	Capital	325, 000
Motor vehicle	350, 000	DFC Loan	90, 000
Stock	30, 000	Creditors	70, 000
Debtors	20, 000	Bank overdraft	10, 000
Cash in hand	15, 000		
	<u>495, 000</u>		<u>495,000</u>

The following transactions took place in the month of February 2003.

Feb 2 – Bought furniture for shs. 65, 000 by cheque.

4- Bought goods on credit shs. 42, 000.

8- Sold goods worth shs. 35, 000 and payment received by cheque.

12- Received shs. 13, 000 in cash from debtors.

19- Paid shs. 8, 000 to creditors by cheque.

22- Bought goods worth shs. 58, 000 on credit.

25- Sold goods worth shs. 38, 000 and payment received by cheque.

28- Paid D.F.C Loan sh. 21, 000 by cheque.

Required

- i) Open ledger accounts and record the opening balances as on 1st February 2003.
- ii) Record the above transactions in the relevant ledger accounts.
- iii) Balance off the accounts and extract a trial balance as at 28th February 2003.

(30mks)

QUESTION TWO

a) Discuss Five reasons for the payment of goodwill when buying a new business (10 mks)

b) Briefly explain the following accounting principles and concepts.

- i) Going concern.
- ii) Accruals concept
- iii) Consistency principle.
- iv) Substance over form
- v) Materiality concept.

(10 mks)

QUESTION THREE

- a) Enter the following transactions in a three column cash book.
- i) Balance b/f cash sh. 4, 700, Bank sh. 17, 000.
 - ii) Cash sales sh. 20,000 (discount 8%)
 - iii) Cash sales sh. 42, 000
 - iv) Cash purchases shs. 18, 000 (discount 10%)
 - v) Sales paid for by cheque shs. 40, 000 after deducting 20% cash discount.
 - vi) Paid sh. 50, 000 by cheque after deducting 20% cash discount.
 - vii) Purchases by cheque sh. 12, 000.
- c) State the users of financial information and explain their information needs as per the International Accounting Standards Board Framework.

QUESTION FOUR

- a) Got Ramogi wholesalers made the following credit sales to the named customers during the month of February 1996.
- February 4th – Omollo shs. 400, 000, Gitonga 600, 000 and Mugah sh. 750, 000.
- 6th - Mushevere shs. 500, 000.
- 10th - Kizito shs. 250, 000 and Onyango sh. 300, 000.
- 15th - Atwoli sh. 450, 000, Obura sh. 500, 000.
- 25th - Kilunda shs. 800, 000 and Okwiri Shs. 150, 000.

Required

- i) Using the above information, prepare a sales journal / sales day book.
 - ii) Post the entries to the relevant ledger accounts.
- (10 mks)
- b) Explain the errors which cannot be discussed by a trial balance. Give examples of each.
- (10mks)

QUESTION FIVE

Ouma Musa carries a business dealing with the sale of household goods. His trial balance for the year ended 31st Dec 1903 is as follows.

PATICULARS	DR Sh. "000"	CR Shs '000"
Motor vehicles	3,000	
Fixtures	2,000	
Stock 01/01/1903	1,000	
Sales		15,000
Purchases	7,000	
Rent	1,000	
Salaries and wages	1,000	
Electricity	500	
Telephone	400	
Motor vehicle expenses	500	
Discounts	600	500
Returns	1,000	500
Debtors	4,000	
Creditors		3,000
Cash	2,000	
Bad debts	500	
Prov. For bad & doubtful debts		500
Drawings	1,000	
Capital		6,000
	<u>25,500</u>	<u>25,500</u>

Additional information.

- i) Rent outstanding at the end of the year amounted to sh. 200,000.
- ii) Salaries and wages paid in advance amounted to Ksh. 100,000.
- iii) Accrued electricity bill is shs. 50,000.
- iv) Prepaid telephone bill is shs. 100,000.
- v) Stock as at 31/12/1903 amounts to shs. 3,000,000.
- vi) Provision for bad and doubtful debts is to be set at 10% of debtors.
- vii) Depreciation is provided on motor vehicles and fixtures at 10% and 20% respectively on cost.

Required

- a) Trading, Profit and Loss Account for the year ended 31/12/1903.
- b) Balance sheet as at 31/12/1903.

(20 Mks)