



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS**  
**ADMINISTRATION WITH IT**  
**1<sup>ST</sup> YEAR 1<sup>ST</sup> SEMESTER 2018/2019 ACADEMIC YEAR**  
**MAIN CAMPUS**

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**COURSE CODE: ABA 103**

**COURSE TITLE: INTRODUCTION TO ACCOUNTING I**

**EXAM VENUE:**

**STREAM: (BBA )**

**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

The following trial balance is extracted from the book of J. Kioko a sole trade as at 31<sup>st</sup> December 2006

	Sh.	Sh.
Building at cost	3,817,500	
Motor vehicle at cost	800,000	
Fixtures at cost	760,000	
Cash in hand	60,000	
Discount allowed and received	124,000	213,000
Purchases	5,236,000	
Sales		10,662,000
Stationary	78,000	
Rates paid	124,000	
Insurances	30,000	
Return inward and outward	180,500	273,500
Postage and telephone	100,000	
Loan at 15% interest		500,000
Creditors		999,000
Debtors	2,250,000	
Stock in trade January 2004	3,167,000	
Balance at bank	1,291,500	
Capital		9,327,500
Wages and salaries	2,350,000	
Drawings	1,500,000	

Bad debts written off	36,000	
Bad debts provision		100,000
Motor vehicle running expenses	193,000	
Loan interest		37,500
Electricity	236,000	
Provision for depreciation motor vehicle		145,000
Provision for depreciation - Fixtures		400,000
	22,657,500	22,657,500

The following additional information is provided:

1. Stock at 31 December 2006 amounted to sh. 3,105,000
2. Rates are to apportioned such that three-quarters is for business and the rest of private premises, while sh. 32,000 is prepaid for the business.is to adjusted to sh. 125,000
3. Three-quarters of the charge for electricity is for the business one one-quarter is for private use.
4. Insured un expired is shs 6,000
5. Provision for bad debts to adjusted to ksh. 125,000.
6. Only half years interest had been paid.
7. An invoice of goods purchased amounting to sh. 50,000 has not been recorded on the books though the goods were included in closing stock.
8. Depreciation on fixtures is at 5 per cent on cost and Motor Vehicles at 20 per on reducing balances.
9. Goods amounting to sh. 20,000 had been taken for persona use by James, the proprietor.

**Required:**

- a.) Trading and profit and loss account for the year ended 31 December 2006 **(13 Marks)**
- b.) Balance sheet as at 31 December 2006 **(7 Marks)**
- c.) Name and briefly describe four methods of depreciation. **(10 Marks)**

**QUESTION TWO**

The bank statement of Watu Traders showed a balance of shs 264,300 while the bank column of the cash book showed a balance of shs 247,500 as at 31 October, 1998.

On rechecking the records, the following items were not properly recorded in the books:

1. Cheques drawn by the trader amounting to shs. 114,400 had not been presented to the bank.
2. Cheques amounting to shs. 155,600 banked on 3<sup>rd</sup> October 1998 had not been credited by bank.
3. Bank charges amounted shs. 12,500. This has not been posted in the cash bookeunt3 November 1998
4. Standing orders of shs, 25,000 has been paid by the bank but has not been posted in cash book.
5. The credit side of the cash book had been undercast by shs. 9,000.
6. Instruction to transfer shs. 150,000 from the savings account to the current account has not been effected in the cash book.
7. A cheque of shs. 74,000 drawn by the trader has been posted as shs. 47,000 in the cash book.
8. A cheque of shs. 18,500 banked on 28 October 1998 has dishonored but the information was not received by the trader until 3 November 1998.

**Required:**

- a.) Adjust Cash book **(12 Marks)**
- b.) Bank reconciliation statement as at 31 October 1998 **(8 Marks)**

**QUESTION THREE**

Write Short Notes On:

- a. Receipts and payments account **(6 Marks)**
- b. Prepaid expenses **(4 Marks)**
- c. Capital expenditure **(4 Marks)**
- d. Revenue expenditure **(4 Marks)**
- e. Trade discount **(2Marks)**

**QUESTION FOUR**

- a.) Alpha-Beta maintains sales ledger and purchases ledger control accounts.  
You have obtained the following information from the books of original entry of Alpha-Beta for the year ended 31 December 2006.

			Sh.
Sales	:	Cash	4,000,000
	:	Credit	3,500,000
Purchases	:	Cash	155,000

: Credit	6,505,600
Total receipts from customers	7,500,000
Total payments to suppliers	6,505,000
Bad debts written off	8,000
Dishonored cheques from customers	20,000
Discount allowed	50,000
Discount received	39,000
Refund to a customer who overpaid his account	5,000
Refund to cash customers	
Balance in the sales ledger set-off against balance in the purchase ledger	700
Increase provision for bad debt	850
Credit notes issued to customers	35,000
Credit notes received from suppliers	15,000

Audited accounts for the previous year showed that as at 31 December 2005 the balances of debtors and creditors were sh. 360, 000 and sh. 430,000 respectively.

**Required.**

- a. Sales control accounts showing the end of year totals for debtors **(7 Marks)**
- b. Purchases control accounts showing the end of year totals for creditors **(7 Marks)**
- c. Give six causes of difference between bank statement **(6 Marks)**