



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
2ND YEAR 2ND SEMESTER 2015/2016 ACADEMIC YEAR
KISII CAMPUS-PART TIME

COURSE CODE: ABA 210

COURSE TITLE: INTERMEDIATE ACCOUNTING 11

EXAM VENUE: LR 13

STREAM: (BBA)

DATE: 13/12/16

EXAM SESSION: 9.00 – 11.00 AM

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

a) On 31st December 2006 the cash book of H. Njeri showed a balance at the bank of Sh Sh8, 100. The bank statement however showed a balance of Sh 6,700. Going through the bank statement she found out that:

- (i) A cheque received from Taifa Ltd on 1st December for Sh 600 and entered into the cash book did not appear on the bank statement
- (ii) A cheque paid to E. Kamara Sh 700 on 25th December had not been presented
- (iii) A cheque received from N Njiru on 24th December Sh 600 and entered into the cash book was returned dishonored. No entry in this regard was recorded in the cash book
- (iv) Bank charges amounting to Sh 100 had not been entered into the cash book
- (v) The bank received directly Sh 1000 from E.A.B.L as dividends on 18th December on behalf of H. Njeri
- (vi) A cheque payment of Sh 2000 to Olivia had been entered in error Sh200 in the cashbook

Required

- (a) Make the necessary entries to update the cash book
 - (b) Prepare a bank reconciliation statement for H. Njeri for the month of December 2006
 - c) State and briefly explain two purposes of a bank reconciliation statement 15marks
- b) Explain the roles of the following accounting bodies
- i) ICPAK
 - ii) KASNEB
 - iii) RAB

15 marks

Question two

a). Distinguish between Accounting for sales and Accounting for purchases. 6marks

b) Using the following transactions, You are required to open relevant ledger accounts and account appropriately for every entry in the books of Youngstar enterprise, for the month of May 2010.

14marks

- May 1 Started business with £2,000 in the bank.
- “ 2 Purchased goods £175 on credit from M Rooks.
- “ 3 Bought furniture and fittings £150 paying by cheque.
- “ 5 Sold goods for cash £275.
- “ 6 Bought goods on credit £114 from P Scot.
- “ 10 Paid rent by cash £15.
- “ 12 Bought stationery £27, paying in cash.
- “ 18 Goods returned to M Rooks £23.
- “ 21 Let off part of the premises receiving rent by cheque £5.
- “ 23 Sold goods on credit to U Foot for £77.
- “ 24 Bought a motor van paying by cheque £300.
- “ 30 Paid the month's wages by cash £117.
- “ 31 The proprietor took cash for himself £44.

Question three

a) What is payroll accounting?. Explain why the take home pay of most employees is much less than the gross earnings. (6 marks)

b) Discuss the functions of the following activities to payroll accounting

- i) Time keeping.
- ii) Employment department.
- iii) The payroll department.
- iv) Distribution of paychecks. (8 marks)

c) Explain three advantages and three disadvantages of inflation accounting in the economy.(6mks)

Question four

The accounting profession has for a long time relied on certain accounting principles and conventions to guide accounting practice. Explain the principles and conventions guiding accounting profession. 20marks

Question five

a) Jamia enterprise engages in real estate business owning only one property. The company's main income is rental income. The balance sheet of the company as at the end of the year 1 and year 2 is as follows:

	Year 1 KShs	Year 2 KShs
Assets		
Building (net)	150,000	105,000
Cash	45,000	90,000
	195,000	195,000

The comparative income statements for both year 1 and year 2 are given below:

	Year 1 Kshs	Year 2 Kshs
Revenue	82,500	90,755
Expense		
Depreciation	(45,000)	(45,000)
Net Income	37,500	45,755

Additional Information

The company was formed on January 1st, Year 1 through a cash investment of KSh 195,000.

The building was acquired on January 1st Year 1 at a cost of 195,000. Expected useful life is 4 1/3 years.

All revenue is received at the end of the year. There are no operating expenses except depreciation.

All net income is paid out as a dividend. The balance of cash is banked at no interest return.

The price indexes for Year 1 and Year 2 are as follows:

1st Jan year 1 100

31st Dec Year 1 105

31st Dec Year 2 110

Required:

Prepare the balance sheet and income statements for Majengo Ltd for the two years using the current purchasing power approach. 10marks

b) Discuss five main users of accounting information. 10 marks