



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

**UNIVERSITY EXAMINATION FOR THE BACHELOR OF BUSINESS
ADMINISTRATION WITH IT**

FIRST YEAR FIRST SEMESTER 2020/2021 ACADEMIC YEAR

MAIN CAMPUS REGULAR

COURSE CODE: BAB 1105

COURSE TITLE: Introduction to Accounting One

EXAM VENUE:

DATE:

DURATION 2 HOURS

INSTRUCTIONS

- a) Answer QUESTION ONE and any other TWO questions
- b) Show ALL your workings and be as NEAT as possible
- c) Candidates are advised not to write on question paper
- d) Marks allocated to each question are shown at the end of the question.

QUESTION ONE

The following trial balance was extracted from the book of J. Kipanga a sole trader as at 31st December 2004

	Sh.	Sh.
Building at cost	3,000,000	
Motor vehicle at cost	1,600,000	
Provision for depreciation (on motor vehicle)		
1 st January 2004		700,000
Discount allowed and received	20,000	15,600
Purchases	15,769,000	
Sales		20,804,400
Electricity	255,000	
Rates	130,000	
Insurance	105,000	
Return inward and outward	189,000	149,400
Bad debts	92,000	
Provision for bad and doubtful debts January 2004		72,000
Debtors and creditors	1,920,000	1,485,000
Stock in trade January 2004	2,875,600	
Balance at bank		484,000
Capital		4,131,600
Wages	1,286,400	
Drawings	600,000	
	27,842,000	27,842,000

The following additional information is relevant

1. Stock as at 31st December 2004 amounted to 3,072,600
2. Amount accrued as at 31st December 2004.
 - Electricity sh. 15,000
 - bonus to employee sh. 100,000
3. Insurance prepaid at 31st December 2004 was sh. 35,000
4. Included in the insurance payment is an amount of sh. 15,500 for J. Kipanga personal vehicle.
5. Provision for bad and doubtful debt is 5% of debtors.
6. Depreciation to be provided as follows -:
 - 20% on motor vehicle on reducing balance method
 - 10% on building on SLM

REQUIRED

- a. Trading , profit and loss account for the year ended 31st December 2004 **(12 Marks)**
- b. Balance sheet as at 31st December 2004 **(8 Marks).**
- c. Gatonye, a contractor, started business on January 2004. Purchases and disposals of machines over the subsequent three years were as follows:-

Machine	Date of purchase	Cost	Date of Disposal	Disposal proceeds.
MA 1	01.01.2004	Sh. 5,000,000		
MB 2	01.01.2004	Sh. 2,500,000	01.01.2005	Sh.900, 000
MC 3	01.01.2006	Sh.7, 000,000		

Required

- i.) Machines at cost account **(4 Marks)**
- ii.) Depreciation account **(2 Marks)**
- iii.) Provision for depreciation **(4 Marks)**
- iv.) Disposal of Machine Account

QUESTION TWO

- a.) Write up three column cash book for James Njangi from the details given below, then balance off this cash book at the end of the month and show the discount accounts in the general ledger:-

2010

April 1	Balances b/f Cash	Shs 25,000
	Bank	Shs 74,000
April 2	Bought goods by cheque	Shs 20,000

- April 3 Cash sales Shs 18,000
- April 5 Banked cash Shs Shs 20,000
- April 6 Paid by cheque in each case cash discount received 3%, A.John Shs 15,000, H. Hofman Shs 30,000; D. Jackson Shs 14,000
- April 7 Received by cheque in each case, discount allowed 5% B. Shaw Shs 40,000;B. Benham Shs 30,000; J. Malthus Shs 32,000
- April 10 Bought office furniture by cheque Shs. 30,000
- April 15 Cash drawings Shs 5,000
- April 20 Paid to Adleman Shs 8,000 cash less 3%
- April 22 Received cash from A. Smith Shs 15,000 less 4%
- April 24 Paid in cash Shs 10,000.

Required:-

- a) Three Cash Book **(14 Marks).**
- b) Discount Allowed **(3 Marks).**
- c) Discount Received **(3 Marks).**

QUESTION THREE.

- a.) Itemize the reasons why it is necessary to prepare bank reconciliation statement **(4 Marks)**
- b.) On 30 September 2018 Mary Wacheke's bank statement reflected a balance of Shs 922,260 while her cash book balance stood at Shs. 1,607,000. On comparing the cash book with the bank statement, the following discrepancies were identified:
1. A cheque paid to a creditor for Shs. 19,740 was entered as sh. 17,940 in the cash book.
 2. Dividends from investments received through the bank amounted to Shs. 15,300 but were not entered in the cash book.
 3. Cheques drawn by Mary Wacheke totaling Shs. 14,500 had not been presented to the bank.
 4. Bank charges of Shs. 1,600 were not entered in the cash book.
 5. Standing order payments amounting to Shs. 112,400 had not been entered in the cash book.
 6. A cheque for Shs 13,000 received from a debtor had been had been returned by the bank marked "refer to drawer" but had not been written back in the cash book.

7. The bank had not credited Mary Wacheke's account with receipts of Shs. 119,700 paid in the bank on 30 September 2018.
8. Mary Wacheke had brought down her opening cash balance of Shs. 165,850 as debit balance instead of a credit balance
9. A cheque of Shs. 18,800 had been written back in the cash book but the bank had already honoured it.
10. Mary Wacheke's customer had agreed to settle their debts by direct debit but the bank had credited some direct debits amounting to Shs. 115,540 to another customer's account.

b.) A statement of Mary Wache,s adjusted cash book balance **(12 Marks).**

c.) Bank reconciliation statement at September 2018 **(4 Marks).**

QUESTION FOUR

Write short notes of the following:-

- a) Bad debts **(4 Marks).**
- b) Provision for bad debts **(4 Marks).**
- c) Capital expenditure **(4 Marks).**
- d) Revenue expenditure **(4 Marks).**
- e) Prepaid expenses **(2 Marks).**
- f) Accrued expenses **(2 Marks).**

QUESTION FIVE

a.) Kamau maintains sales ledger and purchases ledger control accounts.

You have obtained the following information from the books of original entry of Kamau 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
Dishonoured 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 account and purchases control accounts showing the end – of year totals for debtors and creditors **(14 Marks)**.
- b) Explain the merits of maintaining sales ledger and purchases ledger control accounts as integral parts of accounting records (**6 Marks**)