

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

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

1ST YEAR 1ST SEMESTER 2023/2024 ACADEMIC YEAR

MAIN CAMPUS/NAIROBI CAMPUS

COURSE CODE: BAB 9101

COURSE TITLE; PRINCIPLES OF ACCOUNTING 1

EXAM VENUE: LR 2

DATE: 30/04/2024

EXAM SESSION: 14.00 – 16.00 PM

DURATION 2 HOURS

INSTRUCTIONS

- i. Answer question ONE(COMPULSORY) and any other two questions**
- ii. Candidates are advised not to write on the question paper**
- iii. Candidates must hand in their answer booklet to the invigilator while in the examination room**
- iv. Show ALL your workings and be as NEAT as possible**
- v. Marks allocated to each question as shown at the end of the question**

QUESTION ONE (COMPULSORY)

a.) Accounting information is produced in form of financial statements which reflects how the business has performed whether it has made profits or losses and it determines whether the resources have increased or reduced.

i. **Required;**

State and explain the various users of accounting information and their areas of interest .
6marks

ii. Give the broad meaning of the following terms as used in accounting

Accounting

Assets

Liabilities

Accounting equation

(4 marks)

b.) Mr. Onyango carries a business dealing with the sales of household goods . His trial balance for the year ended 31st Dec 2023 is as follows

Particulars	Debit	Credit
Motor vehicle	3,000,000	
Fixtures	2,000,000	
Stock as at 01/01/2023	1,000,000	
Sales		15,000,000
Purchases	7,000,000	
Rent	1,000,000	
Salaries and wages	1,000,000	
Electricity	500,000	
Telephone	400,000	
Motor vehicle expenses	500,000	
Discounts	600,000	500,000
Returns	1,000,000	500,000
Debtors	4,000,000	
Creditors		3,000,000
Cash	2,000,000	
Bad debts	500,000	
Provision for bad & doubtful debts		500,000
Drawings	1,000,000	
Capital		6,000,000
Total	25,500,000	25,500,000

Additional information

- i. Rent outstanding at the end of the year amounted to ksh200,000
- ii. Salaries and wages paid in advance amounted to ksh100,000
- iii. Accrued electricity bills is ksh50,000
- iv. Prepaid telephone bill is ksh100,000
- v. Stock as at 31/12/2023 amounted to ksh3000,000

- vi. Provisions 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 12 marks
- b.) Balance sheet 8 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, 2022.

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 3rd October 2022 had not been credited by bank.
3. Bank charges amounted shs. 12,500. This has not been posted in the cash book until 3rd November 2022
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 2022 has dishonored but the information was not received by the trader until 3 November 2022

Required:

- a.) Adjust the Cash book 5 marks
- b.) Bank reconciliation statement as at 31 October 2022 7 marks
- c.) explain the main causes of differences between cash book balance and bank balance. 8marks

QUESTION THREE

Write up the following transactions in the books of Grace for the month of march 2022

- March 1 Started business with cash sh1,500,000
- March 2 Bought goods on credit from Agnes worth sh296,000
- March 3 paid rent by cash sh28,000
- March 4 paid sh1,000,000 of the cash of the firm into the bank
- March 5 sold goods on credit to Sarah sh54,000
- March 7 bought stationery SH15,000
- March 11 cash sales sh49,000
- March 14 goods returned by Grace to Agnes sh17000
- March 17 sold goods on credit to lutz sh29,000
- March 20 paid for the repairs to the building by cash sh18,000
- March 22 sarah returned goods to us sh14,000
- March 27 paid Agnes by cheque sh279,000
- March 28 cash purchases sh125,000
- March 29 bought a motor vehicle paying by cheque sh395,000
- March 30 paid motor expenses in cash sh15,000
- March 31 bought fixtures sh120,000 on credit from Robert

Required ;

- i.) Prepare ledger columns and 14 marks
- ii.) Extract trial balance from the ledger accounts 6 marks

QUESTION FOUR

- a.) The following information relates to transactions from the books of kiimbo ltd for the month of April.

April 1 Balances brought forward

Cash sh230

Bank sh4750

- i. April 2 the following paid their accounts by cheque beach deducting 5% discounts ;Ken sh140 , Mwaura sh200 , Joseph sh300
- ii. April 4 paid rent by cheque sh120

- iii. April 6 Aluoch lent us sh1000 paying by cheque
- iv. April 8 we paid the following accounts by cheque in each case deducting 5% cash discounts ; peter sh60 , paul sh480 , moses sh800.
- v. April 10 paid motor expenses in cash sh44
- vi. April 12 moraa pays his account of sh77 by cheque sh74 deducting sh3 cash discount.
- vii. April 15 paid wages in cash sh160
- viii. April 18 the following paid their accounts by cheque in each case deducting 7% cash discount; mwangi sh260 , Wilson sh340 , njoroge sh460
- ix. April 21 cash withdrawn from the bank sh350 for business use
- x. April 24 cash drawings sh120
- xi. April 25 paid koech his account of sh140 by cash sh133 having deducted sh7 cash discount.
- xii. April 29 bought fixtures paying by cheque sh650
- xiii. April 31 received commission by cheque sh88

Required;

Write up a three column cashbook with the above information and balance off as of the end of the month of April 12 marks

- b.) Discuss four qualities of a good accounting information 8marks.

QUESTION FIVE

- a.) The agreement of a trial balance is not an inclusive proof as to the absolute accuracy of the books of accounts . it only gives the proof of an indication of the arithmetic accuracy.

Required;

Using examples explain the errors that cannot be revealed by a trial balance 10 marks.

- b.) The following information was extracted from the books of Don hotel in Bondo for the month of July 2023.

Balances ; sh6185000 (debit)

Sh52500 (credit)

- i.) Credit sales to customers sh8452000
- ii.) Return inwards sh203500
- iii.) Cheques received from customers sh7985000
- iv.) Cash received from customers sh153000
- v.) Bad debts written off sh64500
- vi.) Cash discount allowed sh302000

Required ;

post the trade receivables ledger control account for the month of July 2023
10 marks.

