



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS
UNIVERSITY EXAMINATION FOR DEGREE OF BACHELOR IN BUSINESS
ADMINISTRATION
2ND YEAR 1ST SEMESTER 2018/2019 ACADEMIC YEAR
NAIROBI CITY LEARNING CENTRE**

COURSE CODE: ABA 109

COURSE TITLE: INTRODUCTION TO ACCOUNTING 2

EXAM VENUE: 12TH FLR ROOM 1

STREAM: BBA

DATE: 3/12/2018

EXAM SESSION: 9:00 – 11:00AM

TIME: 2 HOURS

INSTRUCTIONS:

1. Answer question one (compulsory) and any other two 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

QUESTION ONE

(a) Using relevant examples explain **four** concepts/ principles of financial accounting
(8marks)

(b) The users of financial statements are those groups identified as having reasonable right of information and whose information needs should be recognized.

Identify **four** groups and explain why each is interested in financial statements of a business enterprise

(4 marks)

(c) Draw up the asset, capital and liability accounts in the books of Nairobi ltd to record the following transactions

2017

June.

1 Started business with Sh, 50,000 in the bank

1. Bought motor van paying by cheque Sh.12,000
2. Bought fixtures sh.4,000 on credit from office masters Ltd
3. Bought a van on credit from motor cars ltd sh.8,000

12. took sh.1000 out of the bank and put it into the cash till Or

(15) bought fixtures paying by cash Sh.600

(19) Paid motor car ltd by cheque Sh.8,000

(21) A loan of Sh.10, 000 cash is received J.Marcus

(25 paid sh, 8,000 of the cash in hand into the bank account

(30) Bought more fixtures paying by cheque 3,000

Extract a trial balance of Nairobi Ltd as at 30th June 2017 after posting all the transactions in the c a above. (18 marks)

QUESTION TWO

- (a) Define a partnership (3 marks)
- (b) Explain five reasons for dissolution of a partnership (5 marks)

(b) Draw up a profit and loss appropriation account for the year ended 31st December 2013

from the following information and partners current accounts

- (i) Capital accounts: balances b/f W Sh.40,000, P Sh.30,000, H Sh.18,000
- (ii) Current accounts: balances b/f W Sh.1,860, P Sh.946, H Sh.717
- (iii) Drawings: W Sh.9,200, P Sh.7,100, H Sh.6,900
- (iv) Interest to be charged on capitals: W Sh.2,000, P Sh.1,500, H Sh.,900
- (v) Interest to be charged on drawings: W Sh.240, P Sh.180, H Sh.,130
- (vi) Net profits Sh.30,350
- (vii) Profits to be shared W 50%, P 30%, H 20%
- (viii) Salaries to be credited: P Sh.2,000, H Sh.3,500

Hint. Appropriation account

Capital account

Current account

QUESTION THREE

The following figures have been extracted from the books of Mwananchi bank limited.

Shs.000

Share capital (Authorized and issued)

1,000,000 shares of shs.100 each sh. 50 paid	50,000
Reserve fund	3,500
Fixed deposit accounts	9,500
Savings accounts	30,000
Current accounts	80,000
Money at call and short notice	3,000
Investments (at cost)	30,000
Interest accrued and paid	2,000
Salaries (including directors fees shs, 50,000)	800
Rent	200
General expenses (including auditors fees shs.20, 000	100
Profit and loss account 1st September	60,600
Dividend for 2016	500
Premises (after depreciation to Sep 2016 sh 10, 000,000)	120,000
Cash in hand	600
Cash with Central Bank of Kenya	15,000
Cash with other banks	13,000
Borrowed from banks	7,000
Interest and discounts	11,500
Bills discounted and purchased	6,000
Bills payable	8,000
Loans, overdrafts and cash credits	70,000
Unclaimed dividends	300
Bills for collection	1,400
Acceptance and endorsement on behalf of customers	2,000
Sundry creditor	300

Rebate on bills discounted and purchased for unexpired term amounts to sh. 50,000. Allow 5% depreciation on premises on original cost .A provision for doubtful debts amounting to Sh.300, 000 is required

The bank has no business outside Kenya .A provision for taxation of sh.1, 000,000 is to be created

REQUIRED

(a) Profit and loss account for the year ended 31st August 2017.

(b) Balance sheet as at 31st August 2017.

N.B. Your presentation should as far as possible comply with the Companies Act and Banking Act

(20 Marks)

QUESTION FOUR

On 31st March 2017 the trial balance that follows was taken out from the books of ZED

ZED Ltd. prepare the trading profit or loss account for the year and the balance sheet as At that date after making the following adjustments

	DR	CR
Trial balance		92,230
Capital account		126,177
Sales		
Creditors		22,680
Other creditors		1,000

Purchases return		3,172
Bills payable		6,422
Plant and machinery	55,000	
Fixtures and fittings	1,720	
Factory fuel and power	542	
Office salaries	3,745	
Lighting (factory)	392	
Travelling expenses	925	
Carriage on sales	960	
Cash at bank	2,245	
Cash in hand	68	
Debtors	47,800	
Purchases	83,290	
Manufacturing	9,915	
Rent and taxes	1,765	
Office expenses	2,778	
Carriage on purchases	897	
Discount	422	
Drawings	6,820	
Stock 1st April 2016	21,725	
Manufacturing expenses	2,680	
Sales return	7,422	
Insurance	<u>570</u>	
	<u>251,681</u>	<u>251,681</u>

Adjustments

- (a) Depreciate plant and machinery 5% and fixtures and fittings 10%
- (b) Provide for doubtful debts 25% of debtors

(c) Provision for rent for March Sh.150

(d) Unexpired insurance was Sh. 70

(e) Wages and salaries outstanding were shs.800 and shs.350 respectively

(f) Stock on 31ST March 2017 was Sh.16, 580

(i) Profit and loss account **(10 marks)**

(ii) Balance sheet **(10 marks)**

QUESTION FIVE

The objective of financial statement is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions.

Identify and Explain **qualitative** characteristics of good financial information **(20 marks)**

