

**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**SCHOOL OF BUSINESS AND ECONOMICS**

**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT**

**1ST YEAR 1st SEMESTER 2016/2017 ACADEMIC YEAR**

**MAIN CAMPUS (REGULAR)**

**COURSE CODE: BBM 3111**

**COURSE TITLE: PRINCIPLES OF ACCOUNTING**

**EXAM VENUE: STREAM: (BLSCM)**

**DATE: EXAM SESSION:**

**TIME: 2 HOURS**

**Instructions**

1. Answer Question One (Compulsory) and ANY other 2 questions

2. Candidates are advised note to write on the question paper

3. Candidates must hand in their answer booklets to the invigilator while in the examination room

**QUESTION ONE**

1. Capital expenditure **(2Marks)**
2. Revenue expenditure **(2Marks)**
3. Prepaid expenses **(2Marks)**
4. accrued expenses **(2Marks)**
5. Going concern **(2 Marks)**

**b**.) The following balances were extracted from the books of J.Kioko, a sole trader, at the close of the business on 31 December 2006.

|  |  |  |
| --- | --- | --- |
|  | Sh. |  Sh. |
| Capital  |  | 16,700,000 |
| Purchases  | 4,500,000 |  |
| Sales  |  | 9,850,000 |
| Purchases returns  |  | 27,000 |
| Sales return  | 80,000 |  |
| Discount allowed  | 90,000 |  |
| Discount received  |  |  68,000 |
| Wages and Salaries  | 3,051,000 |  |
| Rates  | 240,000 |  |
| Insurance  | 175,000 |  |
| General expenses  | 405,000 |  |
|  Trade Debtors  |  1,840,000 |  |
| Trade Creditors  |  |  1,605,000 |
| Bank Balances  |  | 381,500 |
|  Cash in hand  | 35,000 |  |
|  Opening stock  | 605,000 |  |
| Land and building (cost)  | 8,500,000 |  |
| Plant and equipment (cost)  | 6,100,000 |  |
| Motor vehicle (cost)  | 3,000,000 |  |
| Drawings  | 835,000 |  |
| Lon from Micro finance  |   | 1,000,000 |
| Loan interest  | 150,000 |  |
| Bad debts  | 25,500 |  |
|  | **29,631,500**  | **29,631,500**  |

The following additional information is provided:

1. Stock at 31 December 2006 amounted to sh. 741,800
2. Rates paid in advance on 31 December 2006 amounted to sh. 30,000.
3. Electricity bill of sh. 12,000 was outstanding on 31 December 2006.This is to be included in the general expenses.
4. The outstanding wages and salaries as at 31 December 2006 was sh. 150,000
5. The trade debtors figure included sh. 30,000 which is to be written off.
6. John Kioko took goods worth sh. 200,000 for personal use.
7. The loan from Small-Business Finance Co.attracted interest at 20% per annum. The interest for the last three months of the year was not paid by 31 December 2006.
8. Depreciation to be provided on straight line basis as follows:

Plant and equipment - 25%

Motor vehicle - 20%

 **Assume that the above assets were acquired at the beginning of the financial year.**

1. Include in wages and salaries are an amount of sh. 45,000 paid to workers repairing John Kioko private residence.

**Required:**

1. Trading and profit and loss account for the year ended 31 December 2006

**(13 Marks)**

1. Balance sheet as at 31 December 2006 **(7 Marks)**

**QUESTION TWO**

The bank balance of John Kimaru did not agree with the cash book balance of sh. 1,365,000 as at 30 September 2007.On comparing the bank statement and the cash book he found the following differences:

1. The unpresentedcheques amounted sh. 174,000.
2. Cheques amounting to sh. 278,000 banked on 29 September 2007 were not credited by the bank until 3 October 2007.
3. Bank charges amounting to sh. 24,000 has been debited in the bank account.
4. Interest of sh. 31,000 on fixed deposit has been credited to the account by the bank.
5. A debtor paid sh. 175,000 direct to the bank and the amount has been credited to account by the bank.
6. A cheque of sh. 75,000 deposited on 26 September 2007was returned as unpaid but has not been received in the office;
7. Standing orders amounting to sh. 95,000 have been paid by the bank.
8. A cheque of sh. 74,000 has been posted in the cash book as sh.47, 000.

**Required:**

1. Adjust Cash book  **(12 Marks)**
2. Bank reconciliation statement as at 30 September 2007  **(8 Marks)**

**QUESTION THREE**

1. Amos and Benard wish to form a partnership and in the absence of a partnership agreement they have sought your advice on the matter.

Advise Amos and Benard on the main provisions of the law where the partners have not prepared a partnership agreement. **(8 Marks)**

**(b.)**  The following balances were extracted from the partnership books of A and B for the year ended 31st December 2004

 A B

Shs Shs

Capital accounts 400,000 300,000

Current accounts 80,000 60,000

Drawings 50,000 30,0000

**Notes:**

The net profit for the partnership for the year ended 31st December 2004 was sh 760,000

Capital accounts of the partners remained fixed during the year.

Each partner was entitled to interest at the rate of 10% capital.

**A** will receive a monthly salary of Sh. 15,000 and **B** will receive a commission of 10% of the net profit.

The balance of the profit is to be shared equally between the partners.

**Required**

1. Partner’s profit and loss appropriation account. **(6 Marks**
2. Partner’s current account. **(6 Marks)**

**QUESTION FOUR**

1. Explain briefly the following words in relation to manufacturing accounts and give suitable examples of each:
2. Direct materials cost **(3 Marks)**
3. Direct labour **(3 Marks)**
4. Direct expenses **(3 Marks)**
5. Prime cost **(3 Marks)**
6. Overheads **(2 Marks)**

**b.)** Thefollowing are fundamental accounting concepts: Explain each briefly

1. Prudence **(2 Marks)**
2. The accrual concept **(2 Marks)**
3. Prepayments  **(2 Marks)**

**QUESTION FIVE**

Give brief definition of the items listed below and for each item indicate its treatment in the books of account.

1. List **eight** objectives of accounting. **(8 Marks)**
2. Explain briefly **six** users of accounting information  **(6 Marks)**

b.)**The information given below is extracted from manufacturing company:**

|  |
| --- |
| 1 January 2007, stock of raw materials 5, 000 |
| 31December 2007, stock of raw materials 7, 000 |
| Raw materials purchased 80, 000 |
| Manufacturing (direct) wages 210, 000 |
| Royalties 1, 500 |
| Indirect wages 90, 000 |
| Rent of factory only 4, 400 |
| Depreciation of plant and machinery 4, 000 |
| General indirect expenses 3, 100 |

**Required**

Prepare Manufacturing Account for the year ended 31 December 2007 Direct materials **(6 Marks)**