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**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2013/2014**

**YEAR II SEMESTER I EXAMINATION FOR THE DEGREE OF BACHELOR OF AGRICULTURE ECONOMICS AND RURAL DEVELOPMENT**

**AER 2203: AGRICULTURE ACCOUNTING**

**DATE: DECEMBER 2013 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER ALL QUESTIONS IN SECTION A AND ANY OTHER TWO IN SECTION B**

**SECTION A (60 MARKS)**

1(a) Farm records is defined as systematic documentation of all activities taking place in a farm enterprise over a given period of time. Explain the basic types of farm records giving examples for each [6 marks]

(b) State the principles of record keeping. [5 marks]

**QUESTION TWO**

1. Explain the importance of farm records and accounts [6 marks]
2. Discuss the benefits of Agricultural accounting [10 marks]

**QUESTION THREE**

1. Explain any FIVE business documents used in Agriculture accounting [10 marks]
2. Describe the Agriculture Accounting process while outlining the major differences. [8 marks]

**QUESTION FOUR**

Explain the following terms as used in Agricultural Accounting:

1. Balance Sheet [3 marks]
2. Debit side and credit side [3 marks]
3. Double entry [3 marks]
4. Trading Account [3 marks]
5. Profit and loss account [3 marks]

**SECTION B (40 MARKS) ANSWER ANY TWO QUESTIONS**

**QUESTION FIVE**

Discuss any FOUR methods of calculating depreciation including the advantages and disadvantages of each. [20 marks]

**QUESTION SIX**

The following balances (In Kenya Shillings) are extracted from the books of accounts of Roman on 31/12/2011:

Purchases 40000 Sales 70185

Purchases return 1410 Stock (1-1-11) 5730

Capital 50500 Drawing 8800

Bad debts 700 Bad debt reserve (1-1-11) 1620

Carriage inwards 1155 Office expenses 670

Postage and stationery 330 Bills receivable 620

Discount (Cr) 115 Wages 3140

Sales Return 2120 Rent received 1050

Building 13000 Cash in hand 1105

Cash at bank 6200 Salary 4500

Office Furniture 1800 Postage 410

Commission paid 435 Sundry creditors 9490

Sundry debtors 31035 Sundry expenses 8470

Building (new) 3500 Rates and insurance 650

**Additional information:**

(i) Insurance unexpired 120

(ii) Provided interest on capital @5%

(iii) Rent not received 100

(iv) Depreciate on old building @2.5%, new @ 2% and office furniture @5%

(v) Write off further bad debts 285

(vi) Increase the provision for bad debts @6% on debts

(vii) Salary outstanding 285

(viii) Stock on 31/12//2009 valued @7145

**Required:**

(a) Prepare Trading and Profit and Loss account for the year ended 31/12/2011 [12 marks]

(b) Prepare balance sheet as at 31/12/2011 [8 marks]

**QUESTION SEVEN**

(a) Outline any SIX differences between a Trial balance and a balance sheet. [6 marks]

(b) Explain the limitation of a Trial balance in Agricultural Accounting [4 marks]

1. Bob and other students opened a poultry business on 1/09/2008. During the first month of operations the following transactions in Kenya Shillings occurred:

September 1 Stockholders invested 20,000 cash in the business

2 Paid 1,000 cash for store rent for the month of September

3 Purchased poultry keeping equipment’s for 25,000 paying 10,000 in cash signing a 15,000 6-month, 12% note payable

4 Paid 1,200 for a one-year accident insurance policy

10 Received a bill from the Daily Nation for advertising the opening of the

Business 200

20 Declared and paid a cash dividend to stockholders 700

30 Determined that cash receipts for the poultry sales for the month were 6,200

**Required:**

(i) Open ledger accounts and post the September transactions [7 marks]

(ii) Prepare a Trial balance at 30/09/2008 [3 marks]