

**W1-2-60-1-6**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2016/2017**

**FIRST YEAR FIRST SEMESTER UNIVERSITY EXAMINATION FOR THE DEGREE OF BCOM/ BBIT/ BPS**

**HBC 2101/HPS 2103/HBT 2103: INTRODUCTION TO ACCOUNTING 1/ PRINCIPLES OF ACCOUNTING**

**DATE: NOVEMBER, 2016 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER**

**TWO QUESTIONS**

**QUESTION ONE: 30 MARKS**

a. Explain the difference between accounting concepts and accounting conventions with examples. [8 marks]

b. The following information was extracted from books of Kilunda Enterprise for the year 2015

April 1: Balance s b/f cash sh. 25,000

bank sh. 74,000

April 2: Bought goods by cheque sh. 20,000

April 3: Total cash sales sh. 18,000

April 5: Banked cash sh. 20,000

April 6: Paid by cheque in each case, cash discount of 3% was received

A. John sh. 15,000, H. Hofman sh. 30,000, D. Jackson

sh. 14,000

April 7: Received by cheque: in each case, discount of 5% was Allowed.

B. Show sh. 40,000, B. Benham sh. 30,000, J. Malthus

sh. 32,000

April 10: Bought office furniture by cheque sh. 30,000

April 15: Cash drawing sh. 5,000

April 20: Paid to A. Adleman sh. 8,000 cash less 3 % discount

April 22: Received cash flow A. Smith sh. 15,000 less 5% discount

April 30: Paid wages in cash sh. 10,000

Required:

Prepare a three column cashbook for Kilunda Enterprise for the month of April 2015. [12 marks]

c. Discuss any five uses of financial statements of a business enterprise. [10 marks]

**QUESTION TWO:**

a. Discuss any four key reasons why its necessary for a business man to prepare a Journal. [8 marks]

b. The trial balance of Amina, business woman had a debit balance of

sh. 7,580 at the end of the year.

The following was detected from the books of accounts for her business.

i. Purchase of goods from Mohit for sh. 2,500 was entered in the sales book, however, Mohits account was correctly credited.

ii. Cash received from Anil, a debtor sh. 3,200 was correctly entered in the cash book but was omitted on his account.

iii. Sales book was overcast by sh. 1,500

iv. Cash of sh. 4,000 paid to Hanif was credited to Rafique account as sh. 1,400

v. The total of purchase returns book of sh. 3,150 was carried forward as 1,530 shillings

vi. Namita was paid cash sh. 6,500 but Sumita was debited by sh. 6,000

Required:

i. Prepare journal entries to correct the errors. [6 marks]

ii. Open a suspense account for Amina’s business. [6 marks]

**QUESTION THREE:**

a. Discuss any five functions of accounting in a business. [10 marks]

b. Discuss any five causes of differences in balances as per the cashbook and bank statement. [10 marks]

**QUESTION FOUR:**

a. The following information was extracted from the books of sally for 2016:

**Details Shs.**

Account payable 200,000

Allowance for doubtful debts 1,000

Accounts receivable 10,000

Bonds payable (8/9/2016) 1,200,000

Cash 410,000

Cost of goods sold 100,000

Common stock (shares)/Equity 50,000

Copy right 100,000

Discount on bonds payable 50,000

Dividends 150,000

Machinery 50,000

Inventory 100,000

Land 500,000

Land held on speculation 100,000

Notes payable (8/8/2016) 99,000

Rent expense 200,000

Retained earnings (1/1/2016) 110,000

Supplies 10,000

Supplies expense 10,000

Trade mark 180,000

Wages expense 1,200,000

Wages payable 100,000

Additional information:-

The business buildings were valued at sh. 1,000,000 with accumulated depreciation of sh. 500,000

Prepaid rent was sh. 100,000, while total sales for the year was

sh. 2,000,000. Total unearned revenge was 10,000

Required:-

i. Prepare Sally’s profit and loss account as at 31/12/2016. [8 marks]

ii. Prepare a balance sheet as at that period. [12 marks]

**QUESTION FIVE**:

Mr. Waweru started a business as at April 1, 2016 with cash 500,000

The following transactions took place during that period :-

April 1: Opened a bank account paying ord depositing sh. 450,000

April 2: Bought goods for cash sh. 10,000

April 3: Bought motor vehicle and paid by cheque sh. 200,000

April 5: Bought goods for 50,000 by cheque

April 7: Sold goods for cash sh. 20,000

April 10: Paid expenses sh. 5,000 in cash

April 15: Sold goods and received a cheque of sh. 30,500

April 16: Paid cash into the bank account sh. 20,000

April 17: Bought goods for cash sh. 10,500

April 20: Paid wages to an assistant sh. 10,000 in cash

April 22: Cashed a cheque for office sh. 10,000

April 30: Paid expenses sh. 8,000 in cash

Required:-

i. Prepare a cash account for Mr. Waweru for April 2016 [10 marks]

ii. Prepare a bank account from the transactions. [10 marks]