

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

**JOMO KENYATTA UNIVERSITY**

**OF**

**AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2014/2015**

**YEAR I SEMESTER I EXAMINATION FOR THE DIPLOMA IN BUSINESS ADMINISTRATION**

**HCB 0101/HCB 0103: FINANCIAL ACCOUNTING/PRINCIPLES OF ACCOUNTING AND FINANCE**

**DATE:DECEMBER 2014 TIME: 1.5 HOURS**

**INSTRUCTIONS:** Answer question one and any other two questions.

**QUESTION ONE (30 MARKS)**

a. What is accounting? (2 marks)

b. State and explain four accounting concepts? (8 marks)

c. ABC ltd drew up the following Trial balance as at 30 September 2014. You are required to draft the trading and profit Loss account for the year to 30 September 2014 and a balance sheet as at that date. (20 marks)

TRIAL BALANCE AS AT 30 SEPT 2014.

|  |  |  |
| --- | --- | --- |
|  | DR | CR |
| Capital |  | 30955 |
| Drawings | 8420 |  |
| Cash at bank | 3115 |  |
| Cash in hand | 295 |  |
| Debtors | 12300 |  |
| Creditors |  | 9370 |
| Stock 30 September 2013 | 23910 |  |
| Motor van | 4100 |  |
| Office equipment | 6250 |  |
| Sales |  | 130900 |
| Purchases | 92100 |  |
| Return inwards | 550 |  |
| Carriage inwards | 215 |  |
| Return outwards |  | 307 |
| Carriage outwards | 309 |  |
| Motor expenses | 1630 |  |
| Rent | 2970 |  |
| Telephone charges | 405 |  |
| Wages and salaries | 12810 |  |
| Insurance | 492 |  |
| Office expenses | 1377 |  |
| Sundry expenses | 284 |  |
|  | 171532 | 171532 |

NOTE: Stock at 30 September 2014 was ksh 27475.

**QUESTION TWO (15 MARKS)**

XYZ LTD made the following transactions during the month of January 2014.

|  |  |  |
| --- | --- | --- |
| 2014 JAN | 1st | Proprietor puts capital into a bank account for the business worth ksh 15000. |
|  | 2nd | Received cheque from M Boon of ksh 1000 |
|  | 4th | Cash sale of sh 8000 |
|  | 6th | Paid rent by cash of ksh 2500 |
|  | 7th | Banked ksh 1500 of the cash held by the firm |
|  | 15th | Cash sale paid direct into the bank account worth ksh 1400 |
|  | 23rd | Paid cheque to S wills worth ksh 2000 |
|  | 30th | Paid wages in cash worth ksh 3000. |

Required

Prepare a cash book of XYZ ltd in the month of January 2014.

**QUESTION THREE (15 MARKS)**

a. State the reasons why business enter into partnership. (5 marks)

b. State and briefly explain the contents of a partnership agreement. (10 marks)

**QUESTION FOUR (15 MARKS)**

a. State and explain five financial objectives of a business entity. (10 marks)

b. Define the following cost behavios. (5 marks)

i. Fixed cost

ii. Variable cost

iii. Mixed cost.

**QUESTION FIVE (15 MARKS)**

a. What do you understand by the term time value of money.

b. Below is a sales journal and a Return Inwards journal of XYZ Ltd.

XYZ LTD

SALES JOURNAL

|  |  |  |  |
| --- | --- | --- | --- |
| 2014 | INVOICE  NUMBER | FOLIO | AMOUNT |
| JAN 1 Mr Kamau | 1020 |  | 1000 |
| 15 Mr Otieno | 1021 |  | 1500 |
| 20 Mr Tum | 1022 |  | 2000 |
| 29 Mr John | 1023 |  | 2500 |
|  |  |  | 7000 |

XYZ LTD

RETURN INWARD JOURNAL

|  |  |  |  |
| --- | --- | --- | --- |
| 2014 | INVOICE NUMBER | FOLIO | AMOUNT |
| JANS Mr Kamau | 14/01 |  | 200 |
| 17 Mr Otieno | 14/02 |  | 300 |
| 25 Mr Tum | 14/03 |  | 400 |
| 30 Mr John | 14/04 |  | 500 |
|  |  |  | 1400 |

Required

Prepare the sales ledger and the general ledger of XYZ of the month of January 2014.

(13 marks)