

MOI UNIVERSITY

BACHELOR OF ARTS (ECONOMICS)

FIRST YEAR, FIRST SEMESTER.

ECO 101: INTRODUCTION TO ACCOUNTING 1, CAT 1.

TIME: 1 HOUR

DATE: 25TH JANUARY, 2018

INSTRUCTIONS TO CANDIDATES:

1. Answer ALL questions.
2. Show all your workings.

QUESTION ONE

The following trial balance was extracted from the books of Baba Zero, a sole trader as at 31 December, 2017.

	Sh	Sh
Drawings/Capital	1,201,400	5,920,200
Trade debtors and creditors	1,808,400	2,168,000
Sales and purchases	4,187,000	8,892,600
Stock (1 January 2017)	2,533,300	
Returns	144,700	218,800
Cash in hand	56,800	
Bank balance	1,056,600	
Warehouse expenses	640,000	
Discounts	90,200	170,400
Office salaries	600,000	
Office lighting	188,800	
Rates	108,200	
Motor vehicle (cost)	1,280,000	
Freehold premises (cost)	2,600,000	
Fixtures and fittings	576,000	
General expenses	142,400	
Insurance	28,000	
Provision for bad debts		50,000
Motor vehicle expenses	150,400	
Bad debts w/o	28,800	
	17,421,000	17,421,000

Additional information:

- i) Stock as at 31 December 2017 was valued at sh. 1,760,000. (classy stock)
- ii) Depreciation on fixtures and fittings is at 5% per annum on reducing balance method and on the motor vehicles; depreciation is at the rate of 10% per annum on straight line basis.
- iii) Rates prepaid as at 31 December 2017 amounted to Sh. 25,600.
- iv) Unexpired insurance as at 31 December 2017 was Sh. 4,000.
- v) Provision for bad debts as at 31 December 2017 is to be made at 2½% of trade debtors.
- vi) Included in the amount for general expenses of Shs. 142,400, is an item for Sh. 1,600 for motor insurance and this amount should be transferred to motor vehicle expenses.

Required:

- a) Trading and profit and loss account for the year ended 31 December, 2013. (12marks)
- b) Balance sheet as at 31 December, 2013. (6marks)

QUESTION TWO

The books of Kedenko Ltd showed the following transactions for the month of July 2013.

- 1, Started business with an investment of Kshs. 9,000,000
- 2, Deposited in the bank Shs. 7,000,000
- 4, Acquired a building by issuing a cheque Shs. 1,000,000
- 10, Paid the bill of the furniture by cheque Shs. 1,000,000
- 15, Purchased Shs. 800,000 of merchandise by cheque
- 18, Withdrew Shs. 100,000 in the bank
- 20, Sold merchandise for Shs. 1,200,000
- 22, Deposited Shs. 2,000,000 into the bank
- 25, Bought Shs. 1,000,000 merchandise
- 26, Sold Shs. 1,500,000 merchandise by crossed cheque
- 27, Paid Shs. 100,000 by cheque as the premium for insuring building against fire
- 28, Paid freight Shs. 50,000
- 30, Withdrew from bank for personal use Shs. 500,000
- 31, Cleared electricity bill Shs. 90,000
- 31, Paid to Manesh Shs. 1,080,000 by cheque. We owed to Manesh Shs. 1,100,000 for goods purchases
- 31, Received from Suresh a cheque for Shs. 1,480,000 in full satisfaction of the debt of Shs. 1,510,000

Required;

Record the above transactions in a three column cash book as at July 2013 and post the same to the relevant ledger accounts (12 marks)