

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

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

# **UNIVERSITY EXAMINATIONS 2014/2015**

**FIRST YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF COMMERCE**

**HBC 2101: INTRODUCTION TO ACCOUNTING 1**

**DATE: AUGUST 2014 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

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**QUESTION ONE**

1. (i) Outline any three errors disclosed by the trial balance [3 marks]
2. Describe any three errors not disclosed by the trial balance. [3 marks]
3. Outline procedure of bank reconciliation [4 marks]
4. Give purposes of control accounts [5 marks]
5. What are the limitations of financial records [4 marks]
6. Give advantages and disadvantages of accounting standards [3 marks]
7. State uses of the journal proper [3 marks]

[TOTAL 30 MARKS]

**QUESTION TWO**

1. Poesta Ltd keeps sales and purchases control account in the general ledger. The transactions for the month of April 2013 were as follows : shs.

Credit balance 1 April 2013 sales ledger 154 000

Purchase ledger 459 000

Debt balance April 2013 Sales ledger 956 000

Purchase ledger 196 000

Credit balance 30th April 2013 Sales ledger 178 000

Debit balance 30th April 2013 Purchase ledger 189 000

Credit Purchase 2 450 000

Credit sales 4 563 000

Cheque from debtor 3 140 000

Cash from debtors 1 367 000

Cheque payments to creditors 1 994 000

Cash payments to creditors 352 000

Bad debtors w/off 68 000

Discount received 104 000

Discount allowed 169 999

Contra entry to sales ledger from purchase ledger 234 000

Refunds to debtors 62 000

Returns outwards 138 000

Return inwards 231 000

Required:

Sales ledger and purchases ledger control accounts for the month ended 30th April 2013. [TOTAL 20 MARKS]

(b)

(i) Explain the term “bank reconciliation” and state the reasons for its preparation . [3 marks]

(ii) Ssemakkula a sole trader received his bank statement for the month of June 2013. At that date the bank balance was shs. 706 500 whereas his cash book balance was shs. 2 366 500. His accountant investigated the matter and discovered the following discrepancies.

1. Bank charges of shs.3000 had not been entered in the cash book
2. Cheques drawn by Semakula totaling shs. 22 500 had not yet been presented to eh bank
3. He had not entered receipts of shs. 26 500 in his cash book
4. The bank had not credited Mr. Semakula with receipts of shs. 98 500 paid into the bank on 30th June 2013.
5. Standing order payments amounting to shs. 62000 had not been entered in the cash book.
6. In the cash book Ssemakula had entered a payment of shs. 74900 as 79400
7. A cheque of shs. 15000 from a debtor had been returned by the bank marked “refer to drawer” but had not been written back into the cash book.
8. Ssemakula had brought forward the opening cash balance of sh. 329 250 as a debit balance instead of a credit balance
9. An old cheque payment amounting to shs. 44 000 had been written back in the cash book but the bank had already honoured it.
10. Some of Ssemakula’s customers had agreed to settle there debts by paying directly into his bank account. Unfortunately the bank had credited some of the reports amounting to shs. 832 500 to another customers account . However acting on information from his customer Semakula had actually entered the expected receipts from the debtors in his cash book.

Required:

Update cash book and bank reconciliation [7 marks]

[TOTAL 20 MARKS]

**QUESTION THREE**

1. On 1st July 1999, Koech had cash in Hand of shs. 300 000 and bank shs. 13 600 000. During the month, the following transaction took place

2.7. 99 : Cash sales shs. 4 000 000 paid directly into bank

3. 7. 99 : Received a cheque from ….for shs. 14 00 000

8.7. 99 : Bought goods for shs. 2 600 000 by cheque .

12.7.99 : Cash sales of shs. 4 000 000

14.7.99 : Paid Onyango by cheque 1960 000 a 2% discount

16.7. 99 : Withdrew shs. 400 000 from bank for office are

17.7. 99 : Bought stationery in cash shs. 75 000

18. 7. 99 : Received a dishonored cheque from A/i

25.9.99 : paid salaries by cheque sh. 5 000 000

26.7. 99 : Received a chegue from Tsuma of 950 000 after deducting a 5% cash discount

31.7.99 : All cash at hand was banked except shs. 500 000

Required:

Prepare a three column cash book [10 marks]

1. Njuguna Maintains a petty cashbook on the impressed system the imp resent system the impresent being shs. 30 000. The following transactions took place in April 2013.

April 1: Received imprest from cashier of shs. 30 000

3: Bought postage stamps shs. 2000

6: Paid peter’s account sh. 4000 in the purchase ledger

7: Bought stationery sh. 5000

8: Paid travelling allowances to S. otieno on employees shs. 4000

10: Paid window cleaning expenses shs. 6000

12: Paid lenana’s account in the purchase ledger shs. 500

17: Paid office cleaning expenses shs. 2000

18: Received shs. 30 000 from the cashless

20: Paid s. otieno for travelling expenses shs. 10 000

22: Bought office light bulbs shs. 2000

25: Paid lenana’s account in the purchases ledger shs. 2500

26: Paid travelling expenses shs. 1000

28: Paid for sugar, tea and milk shs. 3000

Required:

Petty cash book with columns, postage and stationery, travelling expenses,

cleaning expenses, sundry and ledger column. [20 marks]

**QUESTION FOUR**

1. The following was extracted from the books of Joel NB a sole trader as on 30th June 2013.

Shs. Shs.

Capital 2100 000

Freehold land and buildings 980 000

Furniture and fittings at cost 210 000

Motor vehicles at cost 406 000

Provision for depreciation 1 July 2012

Furniture and fittings 140 000

Motor vehicles 280 000

Stock in Trade 8 54 000

Purchases and sales 8218000 9702000

Debtors and creditors 918 000 608000

Rent received 3 8500

Special loan from Sam Ogombe e 5% p.a. 168 000

Loan interests outstanding 1 July 2012 4 200

Discount Allowed and received 184 800 129 500

Provision for bad and doubtful debts 1 July 2012 15 400

Bad debts written off 45 500

Wages and salaries 986 300

Drawings 224 000

Motor vehicle running expenses 80 000

General expenses 41100

Balance at bank 95 200

Rates and insurance 42 000

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The following information is available

1. Stock on 30th June 2012 shs. 1190 000
2. Items due at 30th June 2012: Wages and salaries shs. 58 000. General expenses shs. 9100.
3. Rates and insurance prepaid as at 30th June 2013 shs. 10 500
4. No interest was paid on loan from Sam Ogombe during the year
5. The provision for bud and doubtful debts is to be adjusted 5% of the total debts.
6. Depreciation should be provided on reducing balance

Furniture and fittings 5%

Motor vehicles 25%

1. Past of the freehold buildings was let to a tenant who owed shs. 3500 at 30th June 2013.

Required:

1. Income statement for the year ended 30th June 2013 [10 marks]
2. Statement financial position as at 30th June 2013 [10 marks]

[TOTAL 20 MARKS]