



# SOUTH EASTERN KENYA UNIVERSITY

## UNIVERSITY EXAMINATIONS 2017/2018

### FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN HORTICULTURE, DRYLAND AGRICULTURE AND BACHELOR OF EDUCATION

#### AEC 301: FIRM ACCOUNTS AND PLANNING Main & Kitui

**DATE: 14<sup>TH</sup> DECEMBER, 2017**

**TIME: 1.30 -3.30 PM**

#### Instructions

**Answer all questions in section A and any other two in section B**

#### **SECTION A (30 MARKS) Answer all questions in this section**

Q1 Differentiate between the following terms as used in firm accounts:

- I. Account payable Vs account receivable (1mark)
- II. Net farm income Vs owners equity (1mark)
- III. Profit Vs revenue (1mark)
- IV. Credit Vs debit (1mark)
- V. Liability Vs expense (1mark)

- Q2 a) Outline the purpose and uses of farm accounting records. (5marks)  
b) State and explain the basic equation of a balance sheet. (5marks)

- Q3 a) Briefly explain **four (4)** types of budgeting techniques used in farm planning. (4marks)  
b) Highlight three main uses of a trial balance in farm accounts. (3marks)

- Q4 a) Describe the two accounting entry systems used in farm accounts and state their differences. (5marks)  
b) Identify **three (3)** sources of information for farm planning and accounting. (3marks)

**SECTION B (40 MARKS) Answer any two (2) Questions from this section**

Q5 The table below shows information that appeared in the books of SEKU farm for the year ended 31 December 2016

<b>Item</b>	<b>KSH</b>
Capital	
Net profit	235 00
Creditors	8000
Plant and machinery	15000
Motor vehicle	10000
Furniture and fitting	5000
Debtors	12000
Cash at bank	9000
Cash in hand	5 00
Stock of goods	7500
Drawings	3500
Bank loan	5000

Required:

- a) Determine the farms' capital. (5marks)
- b) Prepare a balance sheet of the farm as at 31.12. 2016 . (15marks)
- Q6 a) Explain the meaning of accounting information system (AIS). (2 marks)
- b) Identify and describe **six (6)** components of accounting information systems. (18 marks)

Q7 a) State any **three (3)** circumstances under which a partial budget is used in farm planning. (3 marks)

b) The table below shows a farmers information from his farm records

	<b>Coffee</b>	<b>Tea</b>
Total revenue	6000	8000
Total cost	4000	6000
labor	1000	2000
fertilizer	5 00	1000
weeding	1 00	5 00
Other expenses	1000	1000

The farmer would like to replace his coffee with tea:

i) Prepare a partial budget for the farmer (15 marks)

ii) Indicate whether the change is worthwhile (2 marks)