



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**FIRST YEAR FIRST SEMESTER EXAMINATION FOR THE
DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION
WITH INFORMATION TECHNOLOGY**

HOMABAY CAMPUS – REGULAR

ABA 103: INTRODUCTION TO ACCOUNTING I

Date: 11th June, 2017

Time: 9.00 - 12.00pm

INSTRUCTIONS:

- Answer Question ONE and any other THREE
- Show all the workings clearly
- All questions carry equal marks



QUESTION ONE

(a) Ssemakula, a sole trader received his bank statement for the month of June 2011. At that date the bank balance was Sh.706,500 whereas his cash book balance was Sh.2,366,500. His accountant investigated the matter and discovered the following discrepancies:

1. Bank charges of Sh 3,000 had not been entered in the cashbook.
2. Cheques drawn by Ssemakula totaling Sh.22,500 had not yet been presented to the bank
3. He had not entered receipts of Sh.26,500 in his cashbook.
4. The bank had not credited Mr. Ssemakula with receipts of Sh.98,500 paid into the bank on 30 June 2011.
5. Standing order payments amounting to Sh.62,000 had not been entered into the cashbook.
6. In the cash book Ssemakula had entered a payment of Sh.74,900 Sh.79400.
7. A cheque for Sh. 15,000 from a debtor had been returned by the bank marked "refer to drawer" but had not been written back into the cashbook.
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 Sh.44,000 had been written back in the cashbook but the bank had already honoured it.
10. Some of Ssemakula's customers had agreed to settle their debts by paying directly into his bank account. Unfortunately, the bank had credited some deposits amounting to Sh.832,500 to another customer's account. However, acting on information from his customers, Ssemakula had actually entered the expected receipts from the debtors in his cashbook.

Required:

- (i) A statement showing Ssemakula's adjusted cash book balance as at 30 June 2011. (10 marks)
- (ii) A bank reconciliation statement as at 30 June 2011. (7.5 marks)

QUESTION TWO

Briefly explain the meaning of each of the following accounting concepts, giving in each case, an example of the application of each:

- (i) Materiality (5 marks)
- (ii) Substance over form (4 marks)
- (iii) Money measurement (3.5 marks)
- (iv) Prudence concept (5 marks)

QUESTION THREE

The following information has been extracted from the books of Mutero Traders Limited for the month of April 2012.

Balances as at 1 April 2012:

	Sh.
Sales ledger - Debit balances	838,000
- Credit balances	184,000
Purchases ledger -Debit balances	196,000
- Credit balances	598,000
Transactions during the month:	
Sales on credit	8,784,000
Purchases on credit	7,849,000
Returns inwards	248,000
Returns outwards	179,000
Cheques received from trade debtors	2,968,000
Cash paid to trade creditors	4,674,000
Cheques paid to trade creditors	1,393,000
Bad debts written-off	139,000
Discounts allowed to trade debtors	162,000
Discounts received from trade creditors	231,000
Credit sales off-set against credit purchases	356,000
Credit purchase of a motor vehicle posted in the purchases ledger	598,000
Dishonoured cheques from trade debtors	193,000
Cash received to replace dishonoured cheques from trade debtor	106,000
An invoice to trade debtors of Sh.174,000 posted as	147,000

Balances as at 30 April 2012:

Sales ledger credit balances	123,000
Purchases ledger debit balances	177,000

Required:

The sales ledger and purchases ledger control accounts for the month ended 30 April 2012.

(17.5 marks)

QUESTION FOUR

The following balances remained in the books of Ahadi Ltd. as at 30 April 2013 after the preparation of the trading account:

	Sh.
Share capital, authorized and issued:	
shares	48,000,000
2,400,000 Sh. 20 ordinary	
shares	16,000,000
800,000 8% Sh. 20 preference	
Stock – 30 April 2013	33,540,000
Accounts receivable and prepayments	10,880,000
Accounts payable and accruals	5,488,800
Balance at bank	3,118,400
10% debentures	6,400,000
General reserve	11,200,000
Bad debts	136,000
Gross profit for the year	32,603,200
Salaries and wages	11,280,000
Rates and insurance	564,000
Postage and telephone	248,000
Water and electricity	486,400
Debenture interest	320,000
Directors' fees	1,000,000
General expenses	1,243,200
Motor vehicles (Cost Sh. 11,640,000)	2,720,000
Office fittings and equipment (Cost Sh. 17,856,000)	10,976,000
Land and buildings at cost	52,880,000
Profit and loss account – 1 May 2012	9,700,800

Additional information:

1. A bill for Sh. 219,200 in respect of electricity for the period up to 30 April 2013 has not been accrued.
2. The amount for insurance includes a premium of Sh. 120,000 paid in January 2013 to cover the company for six months, February to July, 2013.
3. Office fittings and equipment are to be depreciated at 15% per annum on cost and motor vehicles at 20% per annum on cost.
4. Provision is to be made for:

Directors' fees	Sh. 2,000,000
Audit fee	Sh. 480,000

The outstanding debenture interest.
5. The directors have recommended that:
 - A sum of Sh. 4,800,000 be transferred to general reserve.
 - The preference dividend be paid.
 - A 10% ordinary dividend be paid.

Required:

- (a) Income statement for the year ended 30 April 2013. (10 marks)
- (b) Statement of Financial position as at 30 April 2013. (7.5 marks)

QUESTION FIVE

Mwenesi had the following assets and liabilities on 1 March 19.6:
Cash in Hand Shs 2,345; Cash at Bank Shs 19,815;
Stock Shs 46,780;
Debtors: Njoroge Shs 21,730; Omolo Shs 24,670;
Furniture Shs 24,500;
Creditors: K.N.T.C. Shs 39,840; Loan from C.F.C. Shs 25,000

Calculate his opening capital. Open suitable ledger accounts and post his opening Balance Sheet. Then record the following transaction in his ledger:

- March
- 1 Bought goods on credit from K.T.N.C Shs 13,500
 - 2 Paid carriage expenses in cash, Shs 950.
 - 3 Sold goods on credit to Njoroge, Shs 16,100.
 - 4 Goods returned by Njoroge, Shs 2,100
 - 5 Sold goods against cheque, Shs 7,250
 - 6 Returned goods to K.N.T.C, Shs 2,500
 - 7 Paid wages by cheque, Shs 1,760
 - 8 Sold goods against cash, Shs 2,390
 - 9 Issued a cheque to K.N.T.C, Shs 18,500
 - 10 Sold goods on credit to Omolo, Shs. 11,730
 - 11 Goods returned by Omolo, Shs 1,540
 - 12 Bought goods on credit from K.N.T.C, Shs. 14,200
 - 13 Paid carriage expenses in cash, Shs 820
 - 14 Received a cheque from Omolo, Shs 21,750
 - 15 Sold goods on credit to Njoroge, Shs 11,730
 - 16 Received a cheque from Njoroge, Shs 17,450
 - 17 Bought goods against a cheque, Shs 11,500
 - 18 Bought a pick up, borrowed its value from CFC, Shs 50,000
 - 19 Sold goods against cheque, Shs. 14,290
 - 20 Issued a cheque for purchase of new furniture, Shs 4,500
 - 21 Paid rent by cheque, Shs 3,200
 - 22 Sold goods against cash, Shs 2,950
 - 23 Issued a cheque to CFC, Shs 25,000
 - 24 Received a cheque from Omolo, Shs 9,420
 - 25 Bought goods on credit from KNTC, Shs. 11,320
 - 26 Paid carriage expenses in cash, Shs 770
 - 27 Returned goods to KNTC, Shs 1,450
 - 28 Sold goods on credit to Omolo, Shs 8,360
 - 29 Issued a cheque to Mwenesi for his personal use, Shs 2,500
 - 30 Paid wages in cash, Shs 1,850

Required

Enter the above transactions in the ledger and balance each account. (17.5 marks)

QUESTION SIX

The following transactions relates to Tom Kanyoro the month of September 2015

- 16 balance b/fcash in hand sh. 625 cash in bank sh. 9847.
- 17 paid transport in cash sh. 222

- 18 issued a cheque to KNTC settling an invoice for sh 7500 deducting 2% cash discount.
- 19 sold goods for cash sh. 2000 less 11/2% cash discount.
- 20 deposited cash with bank sh. 1500.
- 21 received a cheque from Nderi sh.2940 after deducting 2% cash discount
- 22 paid wages in cash sh. 175
- 23 paid telephone bill in cash sh.594

- 24 withdrew cash from bank for office use 750
- 25 issued a cheque for sh. 5000 to ICDC as part payment of a loan
- 26 received acheque for sh. 4950 from Ndisi after deducting 1% cash discount.
- 27 paid KNTC by cheque sh.2600 less 2% cash discount
- 28 issued a cheque for salaries sh. 6114
- 29 sold goods for cashsh.900less 2% cash discount
- 30 paid wages in cash sh.488

Required

Record the above transaction in a three column cash book

(17.5 marks)