



MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

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

CITY CAMPUS – SCHOOL BASED

ABA 103: INTRODUCTION TO ACCOUNTING I

Date: 7thDecember, 2017

Time: 11.00 - 1.00pm

INSTRUCTIONS:

- Answer Question ONE and any other THREE
- Show all your workings



QUESTION ONE

- (a) Explain the following accounting concepts and their implication in the preparation of financial statements:
- i) Consistency Concept (2 Marks)
 - ii) Business Entity Concept (2 Marks)
 - iii) Accounting Period Concept (2 Marks)
 - iv) Dual Aspect Concept (2 Marks)
- (b) Jabungu is a merchant operating in Migori. His trial balance for the year ended 31st December, 2015 is;

	Dr	Cr
	Shs.000	Shs. 000
Motor Vehicles	4,000	
Furniture and Fittings	3,000	
Stock (1/1/15)	2,000	
Sales		30,000
Purchases	20,000	
Returns	2,000	1,000
Discounts	3,000	1,000
Debtors / Creditors	8,000	4,000
Bad Debts	1,000	
Provision for bad & Doubtful Debts		500
Motor Vehicles Expenses	1,000	
Rent	500	
Salaries & Wages	1,000	
Electricity & Water	1,500	
Telephone	300	
Carriage Inwards	200	
Carriage Outwards	300	
Drawings	3,000	
Capital		14,300
	50,800	50,800

Additional Information

1. Stock as at 31st December 2015 amount to Shs. 3,000,000
2. Provision for bad & doubtful debts is set at 5% of current debtors.

3. Motor vehicles expenses unpaid amount to Shs. 300,000, rent paid in advance amount to Shs. 100,000 while salaries and wages prepaid was Shs. 200,000.
4. A quarter of telephone bills paid relate to the year 2016.
5. Unpaid electricity and water amount to Shs. 100,000
6. Depreciation is provided on motor vehicles and fixtures at 20% and 10% respectively on cost.

Required:

- a) Jabungu Income statement for the year ended 31st December 2015. (12 marks)
- b) Statement of Financial position as at 31st December 2015. (5 marks)

QUESTION TWO

Mumias Sugar Co. Ltd. maintains control accounts in its business records. The balances and transactions relating to the company's control accounts for the month of December 2015 are listed below:

	Sh.
Balance at 1 st December 2015:	
Sales ledger	6,185,000 (Dr)
	52,500 (credit)
Purchases ledger	16,500 (debit)
	4,285,000 (Cr)
Transactions during December 2015:	
Sales on credit	8,452,000
Purchases on credit	5,687,500
Returns inwards	203,500
Returns outwards	284,000
Bills of Exchange payable	930,000
Bills of Exchange receivable	615,000
Cheques received from customers	7,985,000
Cheques paid to suppliers	4,732,000
Cash paid to suppliers	88,500
Bill payable dishonoured	400,000
Charges on bill payable dishonoured	10,000
Cash received from credit customers	153,000
Bad debts written-off	64,500
Cash discounts allowed	302,000

Bill receivable dishonoured	88,500
Balances at 31 st December 2015:	
Sales ledger	44,000 (credit)
Purchases ledger	23,500 (debit)

Required:

Post the sales ledger and the purchases ledger control accounts for the month of December 2015 and derive the respective debit and credit closing balances on 31st December 2015. (15 Marks)

QUESTION THREE

- (a) Explain the term "bank reconciliation" and state the reasons for its preparation. (4 Marks)
- (b) The following are extracts from the cashbook and the bank statement of Jonyo.

Dr			Cashbook			Cr		
2016	Cheque no.	Sh. '000'	2016	Cheque no.	Sh. '000'			
Dec 1	Balance b/d	1,740	Dec 8	Daniel (62)	349			
Dec 7	Mary (626)	88	Dec 15	Mark (63)	33			
Dec 22	Carol (452)	73	Dec 28	George (64)	115			
Dec 31	Willis (841)	249	Dec 31	Balance c/d	1,831			
Dec 31	Benard (72)	78						
		<u>2,328</u>						<u>2,328</u>

Bank Statement

2016		Dr	Cr	Balance
		Sh.'000'	Sh.'000'	Sh.'000'
Dec 1	Balance b/d			1,740
Dec 7	Cheque (626)		88	1,828
Dec 11	Cheque (62)	349		1,479
Dec 20	Cheque (63)	33		1,446
Dec 22	Cheque (453)		73	1,519
Dec 31	Credit transfer: Walters		54	1,573
Dec 31	Bank charges	22		1,551

Required:

- A statement showing Jonyo's adjusted cashbook balance as at 31 December 2016. (7 marks)
- A bank reconciliation statement as at 31 December 2016. (4marks)

QUESTION FOUR

- (a) Nyokabi keeps her petty cashbook on the imprest system, the imprest being Sh.2500. For the month of April 2016 her petty cash transactions were as follows:

	Sh.
Apr 1 Petty cash balance	113
" 2 Petty cashier presented vouchers to cashier and obtained cash to restore the imprest	2387
" 4 Bought postage stamps	850
" 9 Paid to Benard, a creditor	235
" 11 Paid bus fares	172
" 17 Bought envelopes	70
" 23 Received cash for personal telephone call	68
" 26 Bought petrol	1000

Required:

- (i) Enter the above transactions in the petty cashbook and balance the petty cashbook at 30th April 2016, bringing down the balance on 1st May 2016. (6 Marks)
- (ii) On 1st May Nyokabi received an amount of cash from the cashier to restore the imprest. Enter this transaction in the petty cashbook.(4 Marks)
- b) Explain why the following parties may be interested in the financial statements of an organisation:

i) Employees	(1 mark)
ii) Financial analysts	(1 mark)
iii) The Government.	(1 mark)
iv) The public.	(1 mark)
v) Management	(1 mark)

QUESTION FIVE

Mr. Juma, a businessman in Kisauni, does not maintain a double entry bookkeeping system.

On 1st July 2016 his capital was Sh. 172,500. An analysis of his cashbook for the year to 30th June 2017 gives the following particulars:

	Sh.
Debit Side Received from sundry debtors	150,000
Paid in on capital account	12,500

Credit side Due to bank on 1 July 2016	18,500
Payment to sundry creditors	62,500
General business expenses	25,000
Wages paid	38,750
Drawings	7,500

Other balances on 30th June	2016	2017
	Sh	Sh.
Sundry debtors	132,500	220,000
Sundry creditors	37,500	48,750
Stock in hand	42,500	47,500
Plant and machinery	50,000	50,000
Furniture	3,500	3,500

Discounts allowed and received amounted to Sh. 15,000 and Sh.7,500 respectively. Interest of 5 per cent per annum is to be provided on capital at the beginning of the year. (Ignore payments in and drawings)

Depreciate plant and machinery at 10 per cent and furniture at 5 per cent on the book value. A provision for doubtful debts of 5 per cent is to be made on sundry debtors.

Required:

- (a) Income statement for the year ended 30th June 2017. (10 marks)
 (b) Financial position statement as at that date. (5 marks)

QUESTION SIX

The following information was obtained from Chanez Traders for the month of May 2017.

- May 1 Started business with cash Sh.1,000.
- “ 2 Bought goods on credit from Chike Sh.296.
- “ 3 Paid rent by cash Sh.28.
- “ 4 Paid Sh.1,000 of the cash of the firm into a bank account.
- “ 5 Sold goods on credit to Janet Sh.54.
- “ 7 Bought stationery Sh.15 paying by cheque.
- “ 11 Cash sales Sh.49.
- “ 14 Goods returned by Chanez to Chike Sh.17.
- “ 17 Sold goods on credit to Peter Sh.29.

- “ 20 Paid for repairs to the building by cash Sh.18.
- “ 22 Janet returned goods to Chanez Sh.14.
- “ 27 Paid Chike by cheque Sh.279.
- “ 28 Cash purchases Sh.125.
- “ 29 Bought a motor vehicle paying by cheque Sh.395.
- “ 30 Paid motor expenses in cash Sh.15.
- “ 31 Bought fixtures Sh.120 on credit from Rambo

Required:

Write up the above transactions in the books of Chanez Traders for the month of May 2017 and extract a trial balance as at 31st May 2017. (15 Marks)