



W1-2-60-1-6
JOMO KENYATTA UNIVERSITY
OF
AGRICULTURE AND TECHNOLOGY
UNIVERSITY EXAMINATIONS 2021/2022

END OF SEMESTER EXAMINATIONS FOR THE DEGREE
OF BACHELOR OF

HBC 2101: INTRODUCTION TO ACCOUNTING I

DATE: DECEMBER 2021

TIME: 2 HOURS

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

Question 1

- a) The following transactions relate to books of accounts of M Crash.

2019

June	1	Started business with £50,000 in the bank.
"	2	Bought motor van paying by cheque £12,000.
"	5	Bought Fixtures £4,000 on credit from Office Masters Ltd.
"	8	Bought a van on credit from Motor Cars Ltd £8,000.
"	12	Took £1,000 out of the bank and put it into the cash till.
"	15	Bought Fixtures paying by cash £600.
"	19	Paid Motor Cars Ltd by cheque £8000.
"	21	A loan of £10,000 cash is received from J Marcus.
"	25	Paid £8,000 of the cash in hand into the bank account.
"	30	Bought more Fixtures paying by cheque £3,000.

Write up the ledger accounts in the books of M Crash to record the following transactions. (10 Marks)

- b) The following details for the year ended 31 March 2021 are available. Draw up the trading account of R Sings for that year. (7 Marks)

Stocks: 1 April 2020	16,523
Returns inwards	1,372
Returns outwards	2,896
Purchases	53,397
Carriage inwards	1,122
Sales	94,600
Stocks: 31 March 2021	14,323

- c) Discuss the importance of the bank reconciliation statement (5 marks)
- d) Distinguish between each of the following pairs of terms. (8 marks)
- Errors not shown by the trial balance -
 - Basic Accounting Assumptions - *Concepts*

- iii. Financial statement under the IASB Framework
- iv. Importance of the ledger accounts in an accounting system

Question 2

- a) Describe in details the steps an accountant must follow to come up with the final financial statements also known as the accounting cycle (8 Marks)
- b) Discuss what is an "accounting policy" and possible composition of one (4 marks)
- c) The following categories of people are recognized as users of the information contained in financial statements: For each of the above users of financial statements, identify the kind of information they may require, why they require it and the decisions they make from that information. (8 marks)
 - i. Owners.
 - ii. Financial analysts
 - iii. Lenders.
 - iv. General Public

Question 3

- a) Discuss five types of error that do not affect the trial balance (5 Marks)
 - b) Ssemakula, a sole trader received his bank statement for the month of June 2021. 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:
 - Bank charges of Sh.3, 000 had not been entered in the cashbook.
 - Cheques drawn by Ssemakula totaling Sh.22,500 had not yet been presented to the bank
 - He had not entered receipts of Sh.26,500 in his cashbook.
 - The bank had not credited Mr. Ssemakula with receipts of Sh.98, 500 paid into the bank on 30 June 2021.
 - Standing order payments amounting to Sh.62, 000 had not been entered into the cashbook.
 - In the cash book Ssemakula had entered a payment of Sh.74, 900 Sh.79400.
 - 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.
 - Ssemakula had brought forward the opening cash balance of Sh.329, 250 as a debit balance instead of a credit balance.
 - An old cheque payment amounting to Sh.44, 000 had been written back in the cashbook but the bank had already honored it.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 2021. (9 marks)
 - (ii) A bank reconciliation statement as at 30 June 2021. (6 marks)

Question 4

- a) Control accounts are so called because they control a section of the ledgers. What is the purpose of maintain these control accounts? (5 Marks)
- b) From the following trial balance of P Boones draw up a trading and profit and loss account for the year ended 30 September 2019, and a balance sheet as at that date. (15 Marks)

	Dr	Cr
	\$	\$
Stock 1 October 2018 2018	23,680	
Carriage outwards	2,000	
Carriage inwards		3,100
Returns inwards	2,050	
Returns outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures and fittings	3,500	
Debtors	38,960	
Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital		126,360
	<u>332,890</u>	<u>332,890</u>