

HBC 2101: INTRODUCTION TO ACCOUNTING



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAINCAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: HBC 2101

COURSE TITLE: INTRODUCTION TO ACCOUNTING

DATE: 17TH AUGUST 2015

TIME:9.00-11.00AM

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities

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QUESTION ONE; Compulsory Question

(a) Discuss the interests of any *five* external users of Accounts

 (5 marks)

(b) Differentiate between;

- (i) Debit note and credit note
- (ii) Trial Balance and Balance Sheet
- (iii) Invoice and Delivery note
- (iv) Accrued and prepaid expenses

(8 marks)

(c) The following balances were extracted from Mr. Bidii's books of accounts on 31st December

2013 Cash in hand	10,800
Cash at bank	38,790
Petty cash in hand	1,350
Stock 1 st January 2013	54,000
Motor Vehicles	270,000
Sundry debtors	147,150
Sundry creditors	119,340
Purchases	351,900
Purchases returns	14,400
Sales	789,300
Sales returns	15,300
Carriage in	6,750
Carriage out	7,875
Discount received	15,750
Discount allowed	12,600

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Rent and rates	36,600
Wages and salaries	162,000
Printing and stationery	33,300
Drawings	22,500
Telephone expenses	5,625
Office equipment	90,000
Furniture	67,500
Electricity	6,525
Water	1,575
Bank charges	540
Insurance	16,200
Motor expenses	25,200
General office expenses	19,350

Additional Information;

Closing stock as at 31stDec.2013 isksh 102,150

Required;

- (a) Re-arrange the balances in a trial balance on 31st December 2013 **(5Marks)**
- (b) Prepare an income statement for the year ending 31st December 2013 **(6 Marks)**
- (c) Prepare a statement of affairs as at 31st December 2013 **(6 Marks)**

TOTAL;30 Marks

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ANSWER ANY TWO QUESTIONS

QUESTION 2

MrAbdi ,a sole trader had the following assets and liabilities as at January 1,2015;

Sh	
Cash in hand	8,400
Bank overdraft	434,900
Premises	1,750,000
Delivery van	2,460,000
Stock	820,000
Creditors:Nthuni	250,000
Debtors:Chiku	160,000
Mati	540,000

The following transactions took place during the month of January;

- January 2 Purchased goods worth sh 700,000 from Chege on credit.
,, 4 Cash Sales Sh 620,000.
,, 5 purchased goods worth sh 850,000 from Nthuni on credit and deposited sh 610,000 into the bank from the cash till.
,, 8 sold goods to Mugambish 450,000 on credit
,, 9 Received a cheque of sh 525,000 from Mati in full settlement of his account.
,, 12 Cash sales paid direct in the bank sh 1670,000.
,, 18 Withdrew sh 50,000 from the bank and kept it in office for petty expenses.
,, 19 Settled Nthuni's account by less than 10% discount.
,, 21 Paid electricity bill in cash sh20,000.
,, 24 received a credit note for sh 24,000 from Chege after returning goods defective goods to him.
,, 25 Cash sales sh1,300,000
,, 26 paid Chegesh 676,000 by cheque on account
,, 27 Both Chiku and Mati cleared their accounts after they were allowed a discount of 5% and 10% respectively.
,, 28 Bought furniture for sh 380,000 by cheque from M/s Maina's Workshop.
,, 29 Withdrew sh 45,000 from bank for personal use.

Required;

- (i)Record the above transactions in the relevant ledger accounts including a three column cash book. **(15 Marks)**
(ii)Trial balance as at January 31,2015(5 Marks)

(TOTAL; 20 Marks)

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QUESTION THREE

(a) Define and show the importance of the following terms in accounting;

- (i) Accounting Concepts (2 Marks)
- (ii) Accounting policies (2 Marks)
- (iii) Accounting Bases (2 Marks)

(b) David Kioko maintains his petty cash on an imprest system. The petty cash amount was set at sh 35,000. On January 1, 2014, the balance brought forward was sh 15,000.

The following transactions took place during the month of January 2014;

January 1: Withdrew cash to restore the imprest.

- „ 4: Postage stamps sh 2,000
- „ 6: Bus fare reimbursed sh 2,500
- „ 9: Petrol sh 1,500
- „ 10: Stationery sh 3,800
- „ 12: Bus fare sh 200
- „ 15: Paid sh 1,600 refunded Salim for overpayment on his account in the sales ledger.
- „ 16: Postage stamps Sh 3,000
- „ 18: Motor Vehicle repair sh 3,500
- „ 20: Stationery sh 4,700
- „ 23: Petrol sh 2,800
- „ 25: Miscellaneous expenses sh 1,700
- „ 28: Courier charges on parcel sh 1,900
- „ 31: Travelling expenses sh 3,800

Required

(i) Petty cash book showing the cash in hand as at January 31, 2014, Indicate the amount to be withdrawn from the bank to restore the imprest on February 1, 2014 (14 Marks)

(Total; 20 Marks)

QUESTION FOUR

(a) State four advantages of book keeping **(4 marks)**

(b) Differentiate between Capital reserve and Revenue reserve **(2 marks)**

(c) The bank of Abdullahi Traders showed a credit balance of sh 5,750 at 31.03 2014. At the same time the cash book showed a debit balance of sh 15,000. On comparing the cash book and bank statement, the following entries were detected;

- (i) A cheque of sh 10,000 had not been presented for payment
- (ii) A standing order for sh 4,000 paid by bank had not been entered in the cash book
- (iii) Short-banking amounted to sh 700 and over-banks amounted to sh 700 and over-banks were sh 450.
- (iv) A banking of sh 11,400 had been entered as sh 14,100 in the cash book.
- (v) Cheques totaling sh 6,200 banked were not recorded by the bank
- (vi) Dishonored cheques totaling sh 4,500 were not recorded in the cash book.
- (vii) The credit sides of the cash book had been under cast by sh 600
- (viii) Bank charges sh 400 appeared in the bank statement only.

Required

i) The updated cash book **(8 Marks)**

ii) Bank reconciliation statement **(7 Marks)**

(Total 20 Marks)