



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: HBC 2101

COURSE TITLE: INTRODUCTION TO ACCOUNTING I

DATE: 20th APRIL 2016

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

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

MRUC observes ZERO tolerance to examination irregularities

QUESTION ONE

- a. Using practical accounting transactions, explain the following accounting concepts
- i. Substance over form (2Marks)
 - ii. Materiality concept (2 Marks)
 - iii. Prudence concept (2 Marks)
 - iv. Consistency concept (2 Marks)
 - v. Accruals concept (2 Marks)
- b. Explain any six errors that do not affect the trial balance (6 Marks)
- c. Explain four reasons for the difference in cash book balance and bank account balance at any given time. (4 Marks)
- d. The following information was provided by the accountant of ABC Ltd. for the month of March 2015
- 1st March: Balances brought forward: Cash Sh. 230,000; Bank Sh. 4,756,000.
- 2nd March: The following paid their accounts by cheque, in each case deducting 5 percent discounts: R Burton Sh. 140,000; E Taylor Sh. 220,000; R Harris Sh. 800,000.
- 4th March: Paid rent by cheque sh.120,000.
- 6th March: J Cotton lent us Sh. 1,000,000 paying by cheque.
- 7th March: We paid the following accounts by cheque in each case deducting a 2 ½ percent cash discount: N Black sh.360,000; P Towers Sh. 480,000; C Rowse Sh. 300,000.
- 10th March: Paid motor expenses in cash Sh. 44,000.
- 12th March: H Hankins pays his account of Sh. 77,000, by cheque Sh. 74,000, deducting Sh. 3,000 cash discount.
- 15th March: Paid wages in cash Sh. 160,000.
- 18th March: The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston Sh. 260,000; R Wilson & Son Sh. 340,000; H Winter Sh. 460,000.
- 21st March: Cash withdrawn from the bank Sh. 350,000 for business use.
- 24th March: Cash Drawings Sh. 120,000.
- 25th March: Paid T Briers his account of Sh. 140,000, by cash Sh. 133,000, having deducted Sh. 7,000 cash discount.
- 29th March: Bought fixtures paying by cheque Sh. 650,000.
- 31st March: Received commission by cheque Sh. 88,000.

Required

A three-column cashbook

(10 Marks)

QUESTION TWO

The following trial balance has been extracted from the ledger of Mr. Mwanzia, a sole trader.

	DR	CR
	Sh. 000	Sh. 000
Sales		138,078
Purchases	82,350	
Carriage	5,144	
Drawings	7,800	
Rent, rates and insurance	6,622	
Postage and stationery	3,001	
Advertising	<u>1,330</u>	

Salaries and wages	26,420	
Bad debts	877	
Provision for bad debts		130
Debtors	12,120	
Creditors		6,471
Cash in hand	177	
Cash at bank	1,002	
Stock as at 1 June 2014	11,927	
Equipment		
At cost	58,000	
Accumulated depreciation		<u>19,000</u>
Capital		<u>53,091</u>
	<u>216,770</u>	<u>216,770</u>

The following additional information as at 31 May 2015 is available:

- Rent is accrued by Sh. 210 000.
- Rates have been prepaid by Sh. 880,000.
- Sh. 2,211,000 of carriage represents carriage inwards on purchases.
- Equipment is to be depreciated at 15% per annum using the straight line method.
- The provision for bad debts to be increased by Sh. 40, 000
- Stock at the close of business has been valued at Sh. 13,551,000.

Required:

- Prepare an income statement for the year ended 31 May 2015 (12 Marks)
- Statement of financial position as at 31 May 2015. (8 Marks)

QUESTION THREE

The following information has been extracted from the source documents of XYZ Ltd. for the month of March 2016

- March 1 Credit purchases from: K Hill Sh. 3800,000; M Norman Sh.500,000; N Senior Sh.106,000.
- March 3 Credit sales to: E Rigby Sh.510,000; E Phillips Sh. 246,000; F Thompson Sh. 356,000.
- March 5 Credit purchases from: R Morton Sh. 200,000; J Cook Sh. 180,000; D Edwards Sh. 410,000; C Davies Sh. 66,000.
- March 8 Credit sales to: A Green Sh. 307,000; H George Sh. 250,000; J Ferguson Sh. 185,000.
- March 12 Returns outwards to: M Norman Sh. 30,000; N Senior Sh. 16,000.
- March 14 Returns inwards from: E Phillips Sh. 18,000; F Thompson Sh. 22,000.
- March 20 Credit sales to: E Phillips Sh. 188,000; F Powell Sh. 310,000; E Lee Sh. 420,000.
- March 24 Credit purchases from: Ferguson Sh. 550,000; K Ennevov Sh. 900,000.
- March 31 Returns inwards from: E Phillips Sh. 27,000; E. Rigby Sh. 30,000.
- March 31 Returns outwards to: J Cook Sh. 13,000; C Davies Sh. 11,000.

Required

- Purchases Journal and sales Journal (4 Marks)
- Return inward journal and Return outward journal (4 Marks)
- Post respective entries to the sales ledger and purchases ledger (8 Marks)
- General Ledger extract (4 Marks)

QUESTION FOUR

- Discuss the users of accounting information and for each give their informational needs (12 Marks)
- Explain the qualitative characteristics of accounting information (8 Marks)