

HBC 2101: INTRODUCTION TO ACCOUNTING



MURANG'A 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: 16TH DECEMBER, 2015

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory

Answer TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities

QUESTION ONE

(a) Differentiate the following terms;

(i) Journal and Ledger (2 Marks)

(ii) Accounting and Book-Keeping (2 Marks)

(iii) Trade discounts and Cash discounts (2 Marks)

(iv) Error of principle and Reversal entry (2 Marks)

(b) Discuss how the following Accounting concepts assist in the preparation of Accounts;

(i) Going-Concern Concept (1 mark)

(ii) Separate Entity Concept (1 mark)

(iii) Accounting Period Concept (1 mark)

(iv) Accrual Concept (1 mark)

c) Mr. Ngatia has given you the following balances extracted from his books as at 30th September, 2014.

Account	Amount(Sh)
Cash on hand	12,000
Cash in Bank	110,000
Stock 1.09.2014	210,000
Accounts receivable	80,000
Accounts Payable	100,000
Sales Returns	5,000
Sales	560,000
Purchases	205,000
Capital	349,000
Salaries	40,000
Water and Electricity	6,000

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Postage	2,000
Drawings	9,000
Inventory 30.9.2014	135,000
Furniture and fittings	75,000
Motor Van	550,000
Bank Loan	300,000
Rent received	12,000
Office Rent	17,000

Required;

- (i) Trial Balance as at 30.09.2014 (6 marks)
- (ii) Prepare his Income statement for the month of September 2014 (6 Marks)
- (iii) Prepare his Balance Sheet as at 30.09.14 (6 Marks)

(Total 30 Marks)

Answer Any Two Questions

QUESTION TWO

- (a) Discuss the importance of Depreciation (2 marks)

(b) Mr Mwamba started a business on 1st April 2015 by depositing sh. 360,000 in the business bank A/c and sh. 24,000 in cash

Other transactions for the month were as follows

April 3. Purchased goods for sh 90,000 on credit from Ojiambo Traders

April 4 Paid insurance sh 12,000 by cheque

April 5 Sold goods for sh 170,000 and payment received by cheque.

April 7 Purchased goods for sh 450,000 on credit from Gitari

April 8 Paid wages sh 10,000 in cash

April 12 purchased goods for sh 210,000 from Wanjiku and paid half of the amount by cheque.

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April 14 Sold goods worth sh 380,000 in cash

April 15 Banked sh 350,000

April 17 Sold goods worth sh 300,000 on credit to Wambua.

April 20 Paid Ojiambo Traders sh 88,500 by cheque in full settlement by their account

April 21 Returned goods worth sh 5,000 to Gitari

April 24 Paid advertisement sh 6,000 and lighting sh 3,500 in cash

April 26 Settled Gitari's account by cheque less 10% discount

April 28 Withdrew sh 20,000 from bank for personal use

April 29 Wambua returned goods worth sh 2,000

April 30 Purchased Office equipment for sh 170,000 by cheque.

Required;

- (i) Record the above transaction in the affected ledger accounts including a column Cash Book (5 Marks)
- (ii) Balance them off as at 30th April 2015 (5 Marks)
- (iii) Trial Balance as at 30th April 2015 (5 Marks)

(Total 20 Marks)

QUESTION THREE

The following are the bank columns of Mr.Kombo's Cash book and the bank account statement for the month of September 2014

Dr			Cr		
Date	Details	Amount (Sh.)	Date	Details	Amount (Sh.)
2014			2014		
Sept 1	Bal. b/d	67,530	Sept 2	wages	10,000
„ 4	G.Gakuru	15,200	„ 5	Karindu	23,100
„ 7	Magana	21,500	„ 10	Odhiambo	15,200
„ 12	Juma	43,930	„ 18	Kenzu	9,000
„ 19	Nderitu	18,600	„ 22	Rent	28,300
„ 25	Umonja	5,000	„ 22	Insurance	7,500
„ 26	Kanja	13,400	„ 27	Kararu	37,600
„ 28	Otieno	16,450	„ 28	Munuve	14,000
„ 29	Kilonzo	<u>39,680</u>	„ 30	Bal. c/d	<u>134,190</u>
		<u>241,290</u>			<u>241,290</u>
Oct.1	Bal. c/d	134,190			

Bank Statement as at September 2014

Date		Details	Debit sh	Credit sh	Balance sh
2014					
Sept.1		Bal. b/d			71,630
„	8	Cheque deposit		15,200	86,830
„	9	Cheque	23,100		63,730
„	12	Cheque deposit		21,500	85,230
„	20	Cheque	10,000		75,230
„	20	Cheque	4,100		71,130
„	23	Cheque deposit		43,930	115,060
„	23	Cheque deposit		12,400	127,460
„	26	Dishonouredcheque	24,000		103,460
„	27	Cheque deposit		5,000	108,460
„	27	Cheque deposit		13,400	121,860
„	29	Cheque	7,500		114,360
„	29	Bank Charges	1,200		113,160
„	29	Cheque	28,300		84,860
„	29	Cheque deposit		16,450	101,310

Required

- (i) Mr. Kombo’s updated cash book (7marks)
- (ii) Bank reconciliation statement as at September30,2014(13 marks)

(TOTAL; 20 Marks)

QUESTION FOUR

The following trial balance was extracted from the books of LigiNdogo ,a sole trader ,as at December31, 2014

LigiNdogo

Trial Balance as at December 31, 2014

Details	Dr Sh	Cr Sh
Purchases/Sales	4,490,000	6,710,000
Inventory (Jan.1,2014)	340,000	
Drawings	200,000	
Trade receivables/Payables	495,000	584,000
Commissions	13,000	19,000
Motor Vehicle at cost	2,130,000	
Furniture and fittings at cost	366,000	
Provision for depreciation;		
-On Motor Vehicle	220,000	
- Furniture and fittings	36,000	
Rent and Rates	43,000	
Bad debts	5,000	
Motor Vehicle expenses	56,000	
Returns	55,000	60,000
Carriage inwards	7,000	
Carriage outwards	8,000	
Provision for bad debts		24,000
Premises	642,000	
Discounts	21,000	15,000
Insurance	40,000	
General expenses	99,000	
Bank Overdraft		39,000
12% Loan from a Bank		236,000
Interest on loan	20,000	
Capital		1,532,000
Total	<u>9,475,000</u>	<u>9,475,000</u>

Additional Information

- (i) Inventory in trade as at December 31,2014 was valued at sh 274,000.
- (ii) Provision for bad debts is to be adjusted to 8% of debtors.
- (iii)The bank loan was acquired at the beginning of the year 2014.
- (iv)A provision for depreciation was to be made at 20% of book value on motor vehicles and 10% on cost of Furniture and fittings

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(v) Prepaid insurance and salaries owing were sh 4,000 and sh 4,000 respectively.

Required

(i) A statement of income for the period ended December 31, 2014 (10 Marks)

(ii) A statement of affairs as at December 31, 2014 (10 Marks)

(Total 20 Marks)