

MURANG'A UNIVERSITY COLLEGE (MRUC)
(A *Constituent* College of Jomo Kenyatta university of Agriculture & Technology)

SCHOOL OF BUSINESS AND ECONOMICS

UNIVERSITY EXAMINATION 2014

FIRST YEAR FIRST SEMESTER EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

(SPECIAL/SUPPLEMENTARY)

HBC 2101: INTRODUCTION TO ACCOUNTING

DATE:

TIME: 2 HOURS

INSTRUCTIONS

Answer Question *ONE* and any *OTHER TWO* Questions.

QUESTION ONE

(a) Explain the meaning of the following terms;

(i) Double Entry

(ii) Accounting Equation

(iii) Accounting

(iv) Book-Keeping

Show the importance of each term in relation to accounting (4 Marks)

(b) The following terms are usually encountered in the preparation of accounts;

- i. Fundamental accounting concepts
- ii. Accounting bases
- iii. Accounting policies

You are required to;

I) Define the above terms

(3 marks)

II) Indicate three fundamental accounting concepts which are regarded as having general acceptability.

(3 marks)

c) Mr. Ambrose Maina has given you the following balances extracted from his books as at

30th September, 2013.

Cash on hand	12,000
Cash in Bank	110,000
Stock 1.09.2013	210,000
Debtors	80,000
Creditors	100,000
Returns Inwards	5,000
Sales	560,000
Purchases	205,000
Capital	149,000
Salaries	40,000
Water and Electricity	6,000
Postage	2,000
Drawings	9,000
Stock 30.9.2013	135,000
Furniture and fittings	75,000
Motor Van	350,000
Loan (ICDC)	300,000
Rent received	12,000
Office Rent	17,000

Required;

i) Trial Balance as at 30.09.2013 (6 marks)

i) Prepare his Income statement for the month of September 2013 (6 Marks)

ii) Prepare his Balance Sheet as at 30.09.13 (6 Marks)

(d) Differentiate between Accrued and prepaid expenses

(2 Marks)

(Total 30 Marks)

Answer Any Two Questions

QUESTION TWO

(a) Explain briefly but concisely the following terms and indicate why they are important;

(i) Delivery note (2 Marks)

(ii) Debit note (2 Marks)

(iii) Purchase invoice (2 Marks)

(iv) Bank pay-in-slip (2 Marks)

(v) Minutes and resolution (2 Marks)

(b) The following transactions relating to the first two weeks of May 2014 took place in the business of Biashara traders

May 1: credit sales to wafula sh 112,000, invoice No.011

May 3: Credit sales to the following debtors:

Wanjiru sh 204,000; Musyoka sh 300,000; Wafula sh 400,000

May 5: Sold goods on credit to wanjiru sh 270,000

May 10: Sold goods to the following people on credit;

Kanini sh 100,000 ; Wafula sh 250,000 ; Wanjiru sh 600,000

May 12: Sold goods on credit to Musyoka sh 350,000

Required

Prepare the sales day book and post the various amounts to the personal accounts in the Ledgers and general ledger (10marks)

(Total 20 Marks)

QUESTION THREE

(a) The following are some of the most commonly found accounts in the ledger. Classify them in to (i) Personal (ii) Real and (iii) nominal

Capital, Insurance, Office expenses, Trade expenses, Postage, Debtors, Rent and Rates, Bank Loan, Drawings, Creditors, Motor expenses, Electricity and lighting, Sales, Wages, Purchases, stock, Furniture, Purchases Returns, Motor Car, Cash, Sales Returns. (6 Marks)

(b) The following balances were extracted from Mr. Bidii's books of accounts on 31st December 2013

Cash in bank	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
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
Stock as at December 31, 2013	102,150
Motor expenses	25,200
General office expenses	19,350

Required:

- (a) Re-arrange the balances in a trial balance on 31st December 2013 (4 Marks)
 (b) Prepare a trading and profit and loss for the year ending 31st December 2013 (6 Marks)
 (c) Prepare a balance sheet as at 31st December 2013 (4 Marks)

(Total 20 Marks)

QUESTION FOUR

- (a) Define the term “Depreciation” (2 marks)
 (b) Explain any **three** Accounting bases commonly used to account for “Depreciation” (3 marks)

(c) Kazi moto started a business on 1st April 2013 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 Ciro and paid half of the amount by cheque.

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 Kazibure.

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 Kazibure 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 2013 (5 Marks)
- (iii) Trial Balance as at 30th April 2013 (5 Marks)

(Total 20 Marks)

QUESTION FIVE

- (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)