

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

SCHOOL OF BUSINESS AND ECONOMICS

UNIVERSITY EXAMINATION 2013

FIRST YEAR FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF COMMERCE

HBC 2101: INTRODUCTION TO ACCOUNTING

DATE:

TIME: 2 HOURS

INSTRUCTIONS

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

COMPULSORY QUESTION (30 MARKS)

Q1(a) Citing a relevant examples in each case, explain the following accounting terms;

- (i) Personal accounts
- (ii) Nominal accounts
- (iii) Real accounts (9 marks)

(b) (i) Define the term “source document” (2 marks)

(ii) Describe any *five* source documents and indicate their usefulness in the accounting activities.(5 marks)

(c) On January 31, 2012, Mr Otiende had the following assets and liabilities in his books of accounts;

ASSETS	Sh.
Machinery	980,000
Motor vehicle	750,000
Stock	2 30,000

Debtors 520,000

Cash in hand 415,000

LIABILITIES

A.F.C Loan 990,000

Creditors 370,000

Bank overdraft 180,000

Transaction for the month of February 2012 are given below :

2012

Feb 2 Deposited cash amounting to sh94,000 to his bank

Feb 3 Bought furniture for sh 94,000 by cheque

Feb 4 Bought goods on credit for sh 182,000

Feb 8 Sold goods worth sh 325,000 and received payments by cheque.

Feb 10 Withdrew cash amounting to sh120, 000 from the business for personal use.

Feb 12. Received sh152, 000 from debtors in cash

Feb 19 Paid sh 200,000 to creditors by cheque

Feb 22 Bought goods worth sh358, 000 on credit

Feb 25 Sold business goods worth sh308,000 and received payments by cheque.

Feb 27 Kimani took goods worth sh46, 000 from the business for personal use.

Feb 28 Paid A.F.C loan sh215 ,000 by cheque.

Required:

- (i) Capital as at January 31,2012 (2 marks)
- (ii) Open ledger accounts ,record the opening balances and the transactions for the month of February (4 marks)
- (iii) Balance off the accounts. (4 marks)
- (iv) Prepare a closing trial balance. (4 marks)

(Total 30 marks)

ANSWER ANY TWO QUESTIONS

QUESTION TWO

The following information was extracted from the books of Jacob, a sole trade as at 30 June 2012

	shs
Capital	6,500,000
Drawings	1,144,000
Purchases	5,200,000
Sales	9,124,050
Purchases returns	183,300
Inventory (1 July 2011)	744,900
Bad debts	91,000
Allowance for doubtful debts (1.7.11)	210,600
Rates and Insurance	84,500
Discount received	12,350
Accounts receivable	4,115,150
Sales returns	275,600
Wages	408,200
Buildings	1,625,000
Rent received	136,500
Delivery expenses	1,101,100
Carriage inwards	150,150
Office expenses	87,100

Printing and stationery	42,900
Postage and telephone	53,300
Accounts payable	1,229,800
Cash at bank	806,000
Cash in hand	234,650
Office furniture	227,500
Salaries and commissions	641,550
Building extension	364,000

Additional information

1. Inventory as at 30 June 2012 was valued at sh 928,850.
2. Insurance paid in advance as at 30 June 2012 to sh 15,600
3. Rent receivable amounted to sh 13,000 as at 30 June 2012
4. Allowance for doubtful debts is to be increased to sh 246,909
5. Salary outstanding as at 30 June 2012 amounted to sh 43,550
6. Jacob decided to write off further bad debts of sh 37,050.
7. Depreciation is to be provided on cost at as follows

Asset	Rate per annum
Buildings	2.5%
Building extension	2.5%
Furniture	5%

Required

- (a) Income statement for the year ended 30 June 2012. (12 marks)
- (b) Balance sheet as at the end of 30th June 2012 (8 marks)

(Total 20Marks)

QUESTION THREE.

- (a) Differentiate between a sales journal and a sales ledger (4 marks)
- (b) Mr Museywa is a wholesaler who frequently makes credit sales especially to his confirmed customers. During the month of February 2013 he made the following credit sales;
- Feb 4; Ndikash 40,000, Kindera sh 60,000, Masigash 75,000
“ 6; Masisish 50,000
“ 10; Muhonja sh25,000, Otweche sh30,000
“ 15; Ndikash45,000, Kindera sh50,000, Muhonjash 17,500
“ 25; Matendecheresh 80,000, Masigash 23,800, Mariga sh30,200
“ 28; Otwechesh 40,050 Mariga sh17,340

Required

- (i) A sales journal for the month of February 2013 (7 marks)
- (ii) Post the information to the sales ledger (7 marks)
- (iii) Record the information in the General Ledger (2 Marks)

(Total 20Marks)

QUESTIONFOUR

- (a) 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;

- (a) Define the above terms (3 marks)

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

(3 marks)

- (b) Chango company had the following accounts in its ledger as at December 31, 2012;

Debtors sh 16,500
Creditors sh 10,000
Bad Debts sh1,500

The company also makes the following provisions;

- (i) The Provision for bad and doubtful debts at the rate of 3% of Debtors.
- (ii) Provision for discount allowed at rate of 2% of debtors
- (iii) Provision for discount received at rate of 1% of creditors

Required

- (i) The bad debts account (2 marks)
- (ii) The Provision for bad and doubtful debts account (2 marks)
- (iii) Provision for discount allowed account (1 mark)
- (iv) Provision for discount received account (1 mark)
- (v) Profit and loss account extract (1 mark)
- (vi) Balance sheet account extract (1 mark)
- (b) (i) Define the term "Error" (2 marks)
- (ii) Differentiate between errors of omission and commission (2 marks)
- (ii) Explain briefly how a 'reversal entry error' is corrected (2 marks)

(Total 20 Marks)

QUESTION FIVE.

The entries in the bank column of Joseph Mutunga's cash book and his bank statement for the month of April 2012 are given below.

<u>Dr Cashbook</u>		Cr	
2012	Sh	2012sh	
April 1 Bal b/d	12,125	April 17 Andy kirwa	22,375
April 6 S. Mugure	5,750	April 17 Petty cash	1,875
April 7 Kesho Ltd	2,875	April 19 J. Mburu	17,500
April 14 Trail Ltd	13,750	April 25 Wages	11,250
April 20 Mahindi tours	6,250	April 25 Tom Njoroge	50,000
April 25 J. Meme	8,875	April 27 Mary Mwau	9,875
April 28 P. Njenga	37,500	April 29 Valerie Mwenda	11,125

April 29 S.K High Sch	2,000	April 29 M. Wholesalers	14,250
April 29 M. Mulwa	875		
April 30 Bal c/d	<u>48,250</u>		<u> </u>
	<u>138,250</u>		<u>138,250</u>
May 1 bal b/d	48,250		

Bank statement – April 2012

	Debit Sh	Credit Sh	Balance Sh
April 1 Balance b/d			15,125
April 7 cheque deposit		5,750	
April 10 cheque deposit		2,875	23,750
April 12 cheque	3,000		
April 17 cash	1,875		18,875
April 17 cheque deposit		13,750	32,625
April 20 Cheque deposit	17,500		
April 20 cheque deposit	22,375		
April 25 cash wage	11,250		(18,500)
April 25 charges		6,250	(12,250)
April 27 charges	250		(12,500)
April 27 cheque deposit		8,875	(3,625)
April 28 cheque	9,875		(13,500)
April 29 cheque deposit		37,500	24,000
April 29 dishonoredcheque	6,250		17,500

Required;

- i) Joseph Mutunga's updated cash book
- ii) A bank reconciliation statement as at 30 April 2012

(7 marks)

13 marks)

TOTAL 20 MARKS

