



THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

(A Constituent College of JKUAT)

(A Centre of Excellence)

Faculty of Engineering & Technology

DEPARTMENT COMPUTER SCIENCE & INFORMATION TECHNOLOGY

UNIVERSITY EXAMINATION FOR:

BACHELOR OF SCIENCE IN INFORMATION TECHNOLOGY

BBA 2103: INTRODUCTION TO ACCOUNTING

END OF SEMESTER EXAMINATION

SERIES: DECEMBER 2012

TIME ALLOWED: 2 HOURS

INSTRUCTIONS TO CANDIDATES:

This paper consists of **FIVE** questions

Answer question **ONE (COMPULSORY)** and any other **TWO**

This paper consists of **FIVE** printed pages

Question One (Compulsory)

- a) You have been supplied with the following balances for Otieno Kamau, a sole trader for the year ended 31st December 2011.

	Ksh.
Property at cost	140,000
Equipment at cost	70,000
Provisions for depreciation at 01/01/2011	
Property	4,200
Equipment	17,500
Purchases	385,000
Sales	592,000
Stock at 01/01/2011	17,400
Discount allowed	1,900
Discount received	17,600
Return outwards	43,400
Wages and salaries	28,500
Creditors	15,800
Bank overdraft	2,900
Cash in hand	520
Drawings	17,950
Provision for bad debts at 01/01/2011	200
General expenses	11,400
Long term loan	20,000
Capital at 01/01/2011	30,670

Additional information:

- (i) Stock at 31/12/2011 is ksh. 21,600
- (ii) Wages and salaries outstanding at 31/12/2011 are 4,100
- (iii) General expenses include a prepayment for rate of ksh. 1,000
- (iv) The provision for bad debts needs increasing to ksh. 280
- (v) Depreciation for the year had still to be provided as follows:
 - Property 1.5% per year using the straight line method
 - Equipment 25% per year using the reducing balance method
- (vi) Loan interest of ksh. 2,000 is outstanding.

Required:

Prepare a trial balance for Otieno Kamau as at 31st December 2011 before any adjustment.

(10 marks)

Prepare the trading, profit and loss account for Otieno Kamau for the period ending 31st December 2011 and a balance sheet as at that date.

(10 marks)

- b) State accounting equation and explain its relevance to the concept of double entry system in accounting **(5 marks)**
- c) Explain the term bank reconciliation and state the reasons for its preparation. **(5 marks)**

Question Two

Study the following and answer the question below:

The trial balance of Mary Harris (Gowns) as at 31st December 2011 showed a difference which was posted to a suspense account. Draft final accounts for the year ended 31st December 2011 were prepared showing a net profit of £47,240

The following errors were subsequently discovered:

- Sales of £450 to C Thomas had been debited to Thompson Manufacturing Ltd
- A payment of £275 for telephone charges had been entered on the debit side of the telephone account as £375
- The sales journal had been under cast by £2,000
- Repairs to a machine, amounting to £390 had been charged to machinery account
- A cheque for £1,500 being rent received from Atlas Ltd had only been entered in the cash book
- Purchases from P. Brooks amounting to £765 had been received on 31st December 2011 and included in the closing stock and that date, but the invoice had not been entered in the purchase journal.

Required:

- a) Give the journal entries necessary to correct the above errors. **(10 marks)**
- b) Show the effect of each of these adjustments on the net profit in the draft accounts and the correct profit for the year ended 31st December 2011 **(10 marks)**

Question Three

	Trial Balance	
	DR (sh.)	CR (sh)
Capital		16,000
Cash in hand	1,200	
Cash at bank	400	
Revenues		12,500
Accounts receivable	3,400	
Accounts payable		2,100
Rent	5,000	
Wages	6,000	
Office equipment	4,000	
Computers	<u>7,000</u>	<u> </u>
	<u>30,600</u>	<u>30,600</u>

The following are transactions of Jenny's printing business during the month of February 2011

- (i) Made additional investment into the business with cash ksh. 50,000
- (ii) Offered printing services to an account for ksh. 20,000
- (iii) Deposited ksh. 20,000 in the business bank account
- (iv) Paid rent by cheque ksh. 5,000
- (v) Purchased office equipment on credit worth ksh. 12,000

- (vi) Offered services for cash ksh. 7,500
- (vii) Debtors for transaction in February 4th paid half of their accounts by cheque
- (viii) Received a donation of computer equipment worth ksh. 25,000 from Systematic Ltd.
- (ix) Paid wages by cash ksh. 6,000
- (x) Made part payment ksh. 7,000 for the office equipment bought on account by cheque.

Required:

- a) Open suitable ledger accounts then post the above transactions into them and balance them off. **(10 marks)**
- b) Extract a trial balance as at the end of February 2011. **(10 marks)**

Question Four

On 31st October 2009, the bank statement of Mwendia reflected a credit balance of sh. 7,680 where the cash account was showing a debit balance of sh. 4,552.

After a careful examination of the two records, he discovered the following discrepancies.

- (i) A banking of sh. 6,400 had erroneously been debited in the cashbook as 640
- (ii) A bank commission of 128 had not been entered in the cashbook
- (iii) The cashbook had been overcast by 320 on the debit side
- (iv) Cash and cheque amounting to sh. 864 banked on 31st October had been credited by the bank on 5th November
- (v) There was short banking and over banking of 280 and 160 respectively.
- (vi) The bank had paid an insurance premium of 1,920 on his behalf but had not advised him.
- (vii) A cheque of sh. 5,400 drawn in favour of the city council had not been presented.
- (viii) Cheques amounting to sh. 4,720 had been dishonored by the drawees.

Required:

- a) Prepare a statement showing the correct cashbook position as at 31st October **(10 marks)**
- b) Prepare a reconciliation statement agreeing the bank statement balance to the corrected cashbook

Question Five

- a) Explain the purpose of control accounts. **(5 marks)**
- b) The balances and transactions affecting the control accounts of Kamau Ltd for the month of December 2011 are listed below:

	Sh.	
Balance on 1 st November 2011		
Sales ledger	211,000	(credit)
	9,123,000	(credit)
Purchases ledger	4,490,000	(credit)
	88,000	(debit)
Transaction during November 2011		
Purchases credit	18,135,000	
Allowance from suppliers	629,000	
Receipt from customers by cheque	27,370,000	
Sales on credit	36,755,000	

Discount received	1,105,000	
Payments to creditors by cheques	15,413,000	
Control settlements	3,046,000	
Bills of exchange receivable	6,506,000	
Allowance to customers	1,720,000	
Customers cheques dishonored	489,000	
Cash received from credit customers	4,201,000	
Refunds & customers for overpayments	53,000	
Discount allowed	732,000	
Balances on 30 th November 2011		
Sales ledger	136,000	(credit)
Purchase ledger	67,000	(debit)

Required:

The sales ledger and purchases ledger control accounts for the month of November 2011.

(15 marks)