



## GARISSA UNIVERSITY

UNIVERSITY EXAMINATION **2017/2018** ACADEMIC YEAR **ONE**  
**SECOND** SEMESTER EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF HUMAN RESOURCE MANAGEMENT

COURSE CODE: BHR 107

COURSE TITLE: INTRODUCTION TO ACCOUNTING

EXAMINATION DURATION: 3 HOURS

**DATE: 06/04/18**

**TIME: 2.00-5.00 PM**

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### INSTRUCTION TO CANDIDATES

- The examination has **FIVE (5)** questions
- Question **ONE (1)** is **COMPULSORY**
- Choose any other **THREE (3)** questions from the remaining **FOUR (4)** questions
- Use sketch diagrams to illustrate your answer whenever necessary
- Do not carry mobile phones or any other written materials in examination room
- Do not write on this paper

This paper consists of **SIX (6)** printed pages

*please turn over*



**QUESTION ONE (COMPULSORY)**

- (a) Describe any four source documents used in business, in each case outlining the purpose of the document. **[4 marks]**
- (b) For accounting information to be useful for decision making, it should possess certain characteristics. Briefly describe any such five characteristics of good accounting information. **[5 marks]**
- (c) The following trial balance was extracted from the books of Jambo Ltd as at 31<sup>st</sup> December 2017.

**Jambo Ltd**  
**Trial Balance**  
**As at 31<sup>st</sup> Dec 2017**

	<b>Dr</b>	<b>Cr</b>
Inventory on 1 <sup>st</sup> January 2017	100,000	
Freehold Premises	480,000	
Bills receivable	60,000	
Purchases	560,000	
Salaries and Wages	70,000	
Sales		1,040,000
Fixtures and Fittings	50,000	
Discounts	15,000	9,000
Plant and machinery	280,000	
Rates	11,200	
Advertising	20,800	
Insurance	7.600	



General Expenses	14,400	
Provision for doubtful debts		3,600
Returns	6,000	20,000
Debtors	120,000	
Cash in Hand	4,800	
Bills Payable		30,000
Creditors		86,000
Bank overdraft		37,200
Drawings	12,000	
Capital Account		600,000
Carriage Inwards	4,000	
Carriage Outwards	10,000	
	<b>1,825,800</b>	<b>1,825,800</b>

### Additional Information

1. Provide for depreciation on plant and machinery at 10% p.a. and fixtures and fittings at 15% p.a.
2. Increase the provision for bad and doubtful debts to an amount equal to 4% of sure debtors
3. Prepaid insurance amounts to shs. 1,000 while rates accrued were kshs. 800
4. Inventory on 31<sup>st</sup> December 2017 was valued at shs. 120,000
5. During the year the owner took goods worth shs. 4,000 for his personal use

### Required:

- i. Statement of comprehensive Income for the year ended 31<sup>st</sup> Dec. 2017 **[9 marks]**
- ii. Statement of financial position as that date **[7 marks]**



**QUESTION TWO**

The balances and transactions affecting the control accounts of Bidii Traders for the month of June 2017 are listed below

	Shs
Balance on 1 <sup>st</sup> June 2017	
Debit Balances: Sales Ledger	4,561,500
Purchases	44,000
Credit Balances: Sales Ledger	105,500
Purchases Ledger	2,245,000
<b>Transaction During June 2017</b>	
Purchase on credit	9,067,500
Allowances from suppliers	314,500
Receipts from customers by cheque	13,685,000
Sales on credit	18,377,500
Discount received	552,500
Payments to creditors by cheque	7,706,500
Contra Settlements	1,523,000
Bills of exchange receivable	3,253,000
Allowances to customers	860,000
Customers dishonored cheques	244,500
Cash received from credit customers	2,100,500



Discount allowed	366,000
Balance of 30 <sup>th</sup> June 2017	
Sales Ledger (credit)	68,000
Purchases Ledger(debit)	33,500

**Required:**

- i. The Sales Ledger control accounts for the month of June 2017 **[8 marks]**  
 ii. The Purchases Ledger control accounts for the month of June 2017 **[7 marks]**

**QUESTION THREE**

- (a) Describe any three types of discounts **[3 marks]**  
 (b) The following details were obtained from the books of Faida Ltd.

**2017**

May 1: Balance b/d: Cash shs. 45,000

: Bank shs. 590,000

May 2: The following customers paid their accounts by cheque in each case deducting 2½% cash discount: Betty shs. 20,000; Hussein shs.75,000 and Caroline shs. 30,000.

May 4: The business paid rent as follows; shs. 12,000 by cheque and shs.38,000 by cash.

May 6: Francis lent the business shs. 150,000 by cheque.

May 8: The business paid the following accounts by cheque in each case deducting 5% cash discount: Terry shs. 30,000; Valence shs.52,000 and Rosy shs. 45,000.

May 10: Paid motor expenses in cash shs. 12,000.

May 12: Ben (debtor) paid shs, 11,200 by cash being full settlement of his account which had a balance of shs.12,000 as at that date.

May 15: The business paid salaries by cash shs. 24,000

May 18: The following debtors paid their accounts by cheque in each case deducting 5% cash discount: Wendy shs. 25,000; Peris shs.40,000; and Peter shs. 15,000.

May 21: Cash withdrawn from the bank for business use shs. 80,000



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May 24: Cash drawings shs. 10,000.

May 25: The business paid John his account of shs.12, 000 cash less shs.500 cash discount.

May 29: The business bought furniture worth shs. 75,000 and paid by cheque.

May 30: The business received shs.13,000 commission by cheque.

### Required

- i. Prepare a three column cash book and balance it off [10 marks]
- ii. Post the relevant discount accounts to the general ledger [2 marks]

### QUESTION FOUR

- (a) Describe three advantages of preparing control accounts. [3 marks]
- (b) Hassan who operates a retail shop in Garissa town keeps a cashbook which shows a balance of shs.240,000 in hand at 31<sup>st</sup> Dec. 2017. On the same date, she receives a bank statement that shows a balance of shs. 80,600 overdrawn (debit balance). The difference puzzles her. She seeks your assistance. On investigation you find that;
  - i. A cheque drawn for shs. 3,700 had been entered into the cashbook as shs. 7,300.
  - ii. A cheque drawn in favor of Hassan shs. 10,000 had been entered on the debit side of the cashbook.
  - iii. Cheques for shs. 38,000 drawn at the end of December did not appear in the bank statement.
  - iv. Bank charges of shs. 13,200 had not been entered in the cash book
  - v. A lodgement of shs. 300,000 on 31<sup>st</sup> Dec. 2017 did not appear in the bank statement.
  - vi. The bank had debited her accounts with a standing order of shs. 18,000 in error.
  - vii. The second last page of her cash book had been overcast on the debit side by shs. 11,000.

- Required:** i) Adjusted cash book [6 marks]
- ii) Bank reconciliation statement [6 marks]

### QUESTION FIVE

- (a) A trial balance may balance even when there are errors. Briefly describe five errors that may cause a trial balance not to balance. [5 marks]
- (b) Briefly discuss any five users of accounting information, in each case describing their information needs. [10 marks]

