

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF AGRICULTURAL EDUCATION AND EXTENSION

AGBM 310: FINANCIAL ACCOUNTING

STREAMS: BSC (AGBM) Y3S1

TIME: 2 HOURS

DAY/DATE: FRIDAY 14/12/2018

2.30 P.M - 4.30 P.M.

INSTRUCTIONS:

- Answer Question ONE and any other TWO Questions

QUESTION ONE

- a) Highlight four users of accounting information and their specific needs (8 marks)
- b) Using an illustration, differentiate between capital expenditure and revenue expenditure. (4 marks)

(c) The following trial balance was extracted from the books of Tayari traders, a sole trader as at 30 September 2017.

	Dr	Cr
	Sh.'000	Sh.'000'
Account Capital		4,400
Premises	3,000	
Purchases	11,500	
Sales		21,102
Trade Debtors	2,100	
Trade Creditors		1,020
Plant and machinery	5,000	
Provision for depreciation: Plant & Machinery		500
Salaries and wages	2,624	
Postage and stationery	85	
Carriage inwards	125	
Carriage outwards	60	
Inventory (1.10.2016)	1,800	
Cash at Bank	418	
Returns Inwards	102	

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Returns Outwards		300
Cash in hand	184	
Bad debts	57	
Drawings	200	
Provision for doubtful debts		23
Office general expenses	90	
	<u>27,345</u>	<u>27,345</u>

Additional information:

1. The closing inventory as at 30th Sep 2017 was valued at Sh.2,160,000
2. Provision for doubtful debts is to be adjusted to 2.5% of trade debtors.
3. Tayari Traders has rented out part of its business premises and a rent receivable of Sh.500,000 is due for the period ending 30th September 2017.
4. Office expenses prepaid as at 30th Sep 2017 was Sh.10,000
5. Salaries and wages outstanding as at 30th September amounted to Sh.100,000.
6. Depreciation is provided for premises at 2% on straight line basis while for plant and machinery at 10% on reducing balance method.

Required:

- i. Statement of Income for the year ended 30 September 2017 (10 marks)
- ii. Statement of financial position as at 30 September 2017 (6 marks)

QUESTION TWO:

(a) Explain any four types of errors that may not be reflected in a trial balance. (6 marks)

(b) Citing a relevant example in each case, explain the following types of accounts:

i) Personal accounts. (2 marks)

ii) Real accounts. (2 marks)

(c) The trial balance of Ruanda failed to balance on 30th December 2015. It was observed that the total debits exceeded the total credits by sh. 47, 600. Investigations revealed the following errors;

- a. Sales had been overcast by sh.3,000
- b. Return outwards account had not been credited with an amount of Sh.12,264
- c. Payment by a debtor of sh.30,000 by a direct bank transfer had not been entered in the debtors' accounts
- d. A cash purchase of 464 had been recorded in the cash book only.
- e. Sh. 4,400 received from a debtor had been debited to his account.

Required:

- (i) Journal entries to correct the errors (5 marks)
- (ii) Suspense account duly balanced (5 marks)

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QUESTION THREE:

(a) Briefly explain the following concepts as used in accounting

- i. Consistency principle (2 marks)
- ii. Going concern principle (2 marks)

(b) Describe any four source documents used in journalizing of accounting transactions (4 marks)

(c) Pass journal entries to record the transactions below in the books of XYZ Enterprise(ignore narrations).

March 1 - started business with a capital of Sh.29, 000 at bank.

March 2 - purchased furniture for Sh.3000 on credit from Wood & Varnish Ltd.

March 15 - Purchase goods and received invoice from P. Scott sh. 14,000

March 21 - delivered goods and received cash Sh.3, 800

March 26- Distributed stock worth sh.5, 000 as free samples.

March 31 - Paid wages of Sh.8000 (12 marks)

QUESTION FOUR

(a) Explain four possible causes of depreciation in the value of non-current assets. (4 marks)

(b) Explain possible causes for differences in closing balance of a firm's cash book and the bank statement (6 marks)

(c) The balance in the cash book of Waweru as at 30/4/2017 was Sh.120, 000. On the same date, the balance as per the bank statement was Sh.137, 500. The head of the section further informs you that all receipts are banked intact and all payments are made by cheque. On examining the bank statement and the cash book, the following differences were observed:

- (i) Cheques totalling Sh.100, 000 had been paid into the bank on 30/4/2017 but were not credited by the bank until 1/5/2017
- (ii) The bank charged a commission of sh.4500 during the month. No entry has been made in the cash book.
- (iii) A standing order to CIC insurance Sh.3, 000 had been effected by the bank but not entered in the cash book
- (iv) Interest income amounting to Sh.65, 000 had been credited to the bank account but not entered in the cash book.
- (v) Cheques totalling Sh.60, 000 paid to a supplier had not presented to the bank.
- (vi) The bank statement as at 30.4.2017 showed a balance of Sh.137, 500.

Required:

- (i) Adjusted cash book as at 30.4.2017 (5 marks)
- (ii) Bank Reconciliation statement as at 30.4.2017 (5 marks)

