

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF AGRIBUSINESS
MANAGEMENT AND BACHELOR OF AGRICULTURAL EDUCATION

AGBM 121: FINANCIAL ACCOUNTING

STREAMS: AGBM Y2S1, AGED Y3S1

TIME:2 HOURS

DAY/DATE: TUESDAY 17/12/2024

11.30 A.M. –1.30 P.M

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION ONE:

a) KAPA traders is owned by Ms.Koben. The trial balance for the year ended 31.12.23 is as follows.

Plant & machinery at cost	24,000	
Furniture at cost	16,000	
Motor Vehicle at cost	8,000	
Provision for depreciation on 1/1/23		
Motor Vehicle		2,600
Plant & machinery		5,400
Furniture		7,000
Sales		76,000
Purchases	60,000	
Stock 1/1/2023	2,400	
Discounts	1,600	3,000
Provision for doubtful debts		2,000
Debtors/ creditors	7,000	4,000
Cash at Bank	3,600	
Rent and rates	1,400	

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Electricity and water	800	
Bad debts	600	
Returns	1,200	1,600
Salaries and wages	1,700	
Drawings	3,500	
Capital		30,000
Insurance	1,800	
	133,600	133,600

Additional information

- i. Stock as at 31/12/23 amount to sh 2,600
- ii. Salaries and wages accrued amount to sh 320 while rent and rates prepaid amount to sh 240
- iii. Depreciation is charged as follows
 - Plant and machinery 10% p.a using reducing balance method
 - Motor vehicles 15% p.a on cost
 - Furniture 20% p.a on cost
- iv Provision for bad & doubtful debts is to be maintained at 7% of debtors
- v) Ms Koben took goods worth sh 4000 for personal use

Required

Income Statement for the year ended 31/12/15

[12Marks]

Statement of Financial Position as at 31/12/15

[8Marks]

b) Define the following

- Going concern assumption [2Marks]
- Revenue recognition principle [2Marks]
- Prudence concept [2Marks]
- Business entity assumption [2Marks]
- Substance over Form [2Marks]

Question Two

(a) The following transactions took place in the books of Jamia traders in the month of March 2021.

- 1st Balances brought forward – cash ksh 4,600: bank ksh 95,120.
- 2nd A.B traders lent Jamia traders ksh 20,000 by cheque.
- 3rd Mukuru who owed ksh 13,200 paid his account by cheque less 5% cash discount.
- 4th Jamia taders paid ksh 2,400 by cheque for the business rent.
- 8th Settled the following accounts by cheque;in each case deducting 2½ % discount;
N.Kungu ksh 7,200, T.Mukati ksh 9,600, L.Opende ksh 16,000.
- 10th Paid vehicle maintenance expenses in cash ksh 880.
- 14th M.Oswe who owed kdh 1,540 settled his accounts after deducting ksh 60 discount.
- 15th Paid casual wages in cash ksh 3,200.
- 20th The following debtors settled their accounts by cheque.C.Waruinge ksh 5,200,
R.Wabialiangah ksh 6,800, H.Wote ksh 9,200. Each one of them deducted 5% cash discount.
- 22nd Withdrew from bank ksh 7,000
- 24th cash drawing by the proprietor of Jmia traders ksh 2,400.

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25th . Paid. J.Ponds ksh 2,660 after deducting cash discount of ksh 140.

29th Received commission ksh 1,760 by cheque.

30th Bought item of furniture for office use ksh 13,000.

Required:

Write up three column cashbook.

[12marks]

b) You have been invited to address the agricultural students club on the importance of accounting
Prepare the speech to cover the following;

i) Four users of accounting information and their specific needs

[4marks]

ii) Four qualities of good accounting information

[4marks]

QUESTION THREE

a) Explain five errors which are not disclosed by a trial balance.

[5 marks]

b) The trial balance for FC limited for the year ended 31st Dec, 2019 has failed to agree with the total debits exceeding the credits with sh 37,000 which was entered in a suspense account

On investigation by the internal auditor, the following errors were discovered;

1. The electricity account has been overcast by Sh. 62,000.

2. Purchases account had been under cast by Sh.25, 000.

3. Purchases of sh. 150,000 from Vicky on credit had been credited in error to Nicky's account.

4. Cash received from debtor Sh.25, 000 had been entered in the books as sh 52,000.

5. The accountant completely omitted cash of sh 6000 paid to creditor Akuku

6. A purchase of machinery for sh 60,000 was entered in purchases account

Required:

i)Journal entries to correct the above errors.

[9 marks]

ii)Duly Balanced suspense Account

[3marks]

c) Explain three possible causes of depreciation in the value of non-current assets.

[3 marks]

QUESTION FOUR

a) Mr. Elija opened a business at Marimanti market. The following are the transactions relating to his business for the month of May 2018.

1. On 1st May, he opened a bank account with KCB for the business and deposited ksh. 400,000

2. On 7th May, he paid rent by cheque for ksh. 100,000 for two months in advance for a small room for his business

3. On 15th May, he furnished the store by installing new furntniture worth ksh. 120,000 sold to him on credit by Chuka furniture stores, the amount being payable after three months.

4. On 21st May, he received electricity bill for the month amounting to ksh. 10,000. The bill is payable by 10th June.

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5. On 31st May, he withdrew ksh.90, 000 from the business account for his personal use.

Required:

- | | |
|--|-----------|
| (i) Pass journal entries for the above transactions. | [5 Marks] |
| ii) Record to relevant ledger accounts | [10Marks] |
| iii) Draw a trial balance | [5Marks] |
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