



**THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE**

**(A Constituent College of JKUAT)**

(A Centre of Excellence)

# **Faculty of Engineering & Technology**

DEPARTMENT ELECTRICAL & ELECTRONIC ENGINEERING

**UNIVERSITY EXAMINATION FOR DEGREE IN BACHELOR OF  
SCIENCE IN ELECTRICAL & ELECTRONIC ENGINEERING**

HRD 2115: ACCOUNTING & FINANCE

**END OF SEMESTER EXAMINATION**

**SERIES: AUGUST 2012**

**TIME ALLOWED: 2 HOURS**

**Instructions to Candidates:**

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

This paper consists of **THREE** printed pages

**Question One (Compulsory - 30 Marks)**

The following transactions relates to Lenin Hardware for the month of January 2012.

Jan 1 <sup>st</sup>	Purchased 2000 bags of cement from ABC Ltd on credit at shs 700 each.
Jan 3 <sup>rd</sup>	Sold 600 bags of cement to XYZ Ltd at shs 800 each on credit
Jan 6 <sup>th</sup>	Bought a motor vehicle at shs 2,000,000 on credit from Motor Ltd
Jan 10 <sup>th</sup>	Received shs 400,000 from XYZ Ltd cash.
Jan 12 <sup>th</sup>	Returned 13 bags of cement to ABC Ltd
Jan 15 <sup>th</sup>	Paid Motor Ltd shs 200,000 cash
Jan 16 <sup>th</sup>	Banked shs 200,000
Jan 20 <sup>th</sup>	Paid ABC Ltd shs 100,00 by cheque
Jan 22 <sup>nd</sup>	Paid Rent shs 10,000 by cheque

Required:

- a) Journal entries to record the transactions. **(15 marks)**
- b) Post the entries to the ledger accounts. **(10 marks)**
- c) Extract a trial balance for January 2012. **(5 marks)**

**Question Two (20 Marks)**

Explain the following accounting principles.

- a) Matching **(4 marks)**
- b) Going concern **(4 marks)**
- c) Realization **(4 marks)**
- d) Prudence **(4 marks)**
- e) Materiality **(4 marks)**

**Question Three (20 Marks)**

The following is the extract of the CashBook bank column for Moraa Ltd for the month of January 2012.

Bal B/d (Opening Balance)	400,000
Receipts	<u>22,000,000</u>
	<b>22,400,000</b>
Payments	<u>(8,000,000)</u>
Closing Balance	<b><u>14,400,000</u></b>

The following matters have been raised after investigations into the book.

- i) Bank charges of shs 100,000 have been omitted from the cash.

- ii) Cheques amounting to shs 3,000,000 were drawn but have not been presented for payment.
- iii) Cheques for shs 2,400,000 received and deposited into the bank have not been entered by the bank.
- iv) Customers paid shs. 2,000,000 by direct transfer and Moraa Ltd is not aware of this.
- v) The bank by error debited Moraa Ltd by shs 400,000

**Required:**

- a) Corrected Cashbook **(8 marks)**
- b) Bank reconciliation statement showing the balance as per the bank statement **(7 marks)**
- c) Why would it be necessary to prepare a bank reconciliation? **(5 marks)**

**Question Four (20 Marks)**

- a) Explain **FIVE** errors that don't affect the trial balance. **(12 marks)**
- b) Explain the errors that affect the trial balance. **(8 marks)**

**Question Five (20 Marks)**

ABC Ltd has an option of investing in any two projects, Project A and Project B. Both projects require shs 500,000 each and have a life of 4 years. The following are the expected cash flows.

<b>Year</b>	<b>Cash Flow (Project A) (Shs)</b>	<b>Cash Flow (Project B) (Shs)</b>
1	180,000	290,000
2	240,000	300,000
3	300,000	240,000
4	290,000	180,000

The cost of capital (interest rate) is 10% p.a.  
Required:

- a) Accounting Rate of return for each project. **(7 marks)**
- b) Payback period for each project. **(10 marks)**
- c) Advice the company based on your answer in (b) above. **(3 marks)**