



# TECHNICAL UNIVERSITY OF MOMBASA

## *Faculty of Applied & Health Sciences*

DEPARTMENT OF MATHS AND PHYSICS

UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF MATHEMATICS AND COMPUTER SCIENCE

### ACCOUNTS AND FINANCE

SPECIAL/SUPPLEMENTARY EXAMINATIONS

**SERIES:** FEBRUARY/MARCH 2015

**TIME:** 2 HOURS

#### INSTRUCTIONS:

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

*This paper consists of Six printed pages*

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#### QUESTION 1 (Compulsory)

The following trial balance was extracted from the books of Baker Mutoto at the close of his business on 31<sup>st</sup> March 2009.

	<b>Dr.</b>	<b>Cr.</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Purchases	228,600	
Sales		419,700
General office expenses	4,500	
Stock on 1 <sup>st</sup> April 2008	51,600	
Wages and salaries	89,400	
Drawings	28,800	
Capital		72,000
Bank overdraft		43,500
Cash	900	

Debtors	119,100	
Delivery van	21,000	
Creditors		60,600
Return inwards	8,100	
Discount received		9,300
Fixture and fittings	12,000	
Discount allowed	14,400	
Rent and insurance	17,400	
Return outwards		5,700
Carriage outwards	21,600	
Provision for bad and doubtful debts		<u>6,600</u>
	<u><b>617,400</b></u>	<u><b>617,400</b></u>

Additional information:

- i) Stock on 31<sup>st</sup> March 2009 was shs. 42,900.
  - ii) Wages and salaries accrued at 31<sup>st</sup> March was sh. 42,100; office expenses was sh. 200.
  - iii) Rent prepaid at 31<sup>st</sup> March 2009 was sh. 1,800.
  - iv) Increase the provision for bad and doubtful debts by sh. 1,500 to shs. 8,100.
  - v) Provide for depreciation as follows:
    - Fixtures and fittings sh. 1,200.
    - Delivery van shs. 3,000
- a) The statement of comprehensive income for the year ended 31<sup>st</sup> March 2009. **(10 marks)**
  - b) The statement of financial position as at that date. **(20 marks)**
  - c) Identify and explain atleast **FIVE** errors which do not affect the agreement of the trail balance. **(10 marks)**

## QUESTION 2

The following information was extracted from the books of Mfangano Manufacturing Enterprises for the year ending 31<sup>st</sup> December 2012:

	<b>Sh. '000'</b>
Inventory 1 <sup>st</sup> January 2012	2,990
Raw materials	3,990
Work in progress	15,300
Finished goods	
 Inventory 31 <sup>st</sup> December 2012	
Raw materials	4,200
Work-in-progress	3,600
Finished goods	17,700

Transactions during the years upto 31.12.2012	Sh. '000'
Purchases of raw materials	15,630
Carriage on raw materials	126
Direct wages	48,648
Factory general expenses	7,048
Office salaries	22,200
Depreciation of office furniture	420
Carriage outwards	191
Advertising	1,472
Bad debts	200
Sales	112,410
Sales of scrap	1,317
Discounts received	188
depreciation of factory equipment	4,200
Rent (factory $\frac{3}{4}$ , office $\frac{1}{4}$ )	2,500

**Required:**

Prepare Manufacturing Account and Trading account section of the income statement for the year ending 31<sup>st</sup> December 2012. You should show clearly:

- a) Cost of raw materials
- b) Prime costs of production
- c) Production cost, finished goods
- d) Net profit.

**(20 marks)**

**QUESTION 3**

Senge and Omido are trading partnership sharing profit and losses equally. Their partnership deed provides the following:

- i) Interest at 5% per annum is allowed or charged on both the capital account and the current account balances at the beginning of the year.
- ii) The partners are entitled to annual salaries of Senge sh. 1,200,000 and Omido sh. 800,000.
- iii) Interest on drawings for the year is to be charged: Senge sh. 36,000, Omido sh. 28,000.

The following trail balance as at 31<sup>st</sup> December 2012:

	<b>Dr.</b>	<b>Cr.</b>
	<b>Sh. '000'</b>	<b>Sh. '000'</b>
Capital accounts: Senge		10,000
Omido		5,000
Current accounts: Senge		200
Omido	60	
Cash drawing for the year: Senge	1,500	
Omido	1,000	
Freehold premises at costs	5,000	
Inventory at 1 <sup>st</sup> January 2012	7,500	
Fixtures and fittings at costs	1,500	
Purchases	38,000	
Return outwards		1,200
Returns inwards	600	
Accounts receivable	5,240	
Carriage inwards	2,150	
Carriage outwards	300	
Sales		50,800
Accounts payable		3,330
Staff salaries	4,200	
VAT		870
Office expenses	750	
Allowance for doubtful debts		200
Advertising	500	
Discount received		100
Discount allowed	120	
Bad debts	140	
Rent and rates	280	
Provision for depreciation on fixtures and fittings		<u>300</u>
	<u><b>72,000</b></u>	<u><b>72,000</b></u>

At 31<sup>st</sup> December

- a) Inventory was valued at sh. 6,800,000.
- b) Purchase invoices amounting to sh. 300,000 for goods included in the inventory valuation at (a) above had not been recorded.
- c) Staff salaries owing sh. 90,000
- d) Rates paid in advance sh. 20,000
- e) Provision for doubtful debts to be increased to sh. 240,000.
- f) Goods withdrawn by partners for private use had not been recorded and were valued at Senge sh. 50,000, Omido sh. 63,000, No interest is to be charged on these amounts.

g) Provision is made for depreciation of fixtures and fittings at 10% on costs.

**Required:**

- a) Prepare (a) income statement and profit and loss appropriation account for the year ending 31<sup>st</sup> December 2012. **(10 marks)**
- b) Balance sheet as at that date. **(10 marks)**

**QUESTION 4**

The following details relates to the business of Mr. Patel for the month of January 2008.

2009

January

- 1<sup>st</sup> Bought goods on credit from Baker sh. 4,300  
3<sup>rd</sup> Credit sales to Halima sh. 1,600  
5<sup>th</sup> Bought goods on credit from Wilu sh. 7,400  
9<sup>th</sup> Goods returned to Baker sh. 300  
17<sup>th</sup> Credit sales to Mwikali sh. 12,000  
21<sup>st</sup> Goods returned by Halima sh. 200  
25<sup>th</sup> Credit purchases from Wafula sh. 500  
31<sup>st</sup> Goods returned by Mwikali sh. 1,000

**Required:**

- a) Relevant book of original entry to record the above transactions.  
b) Relevant ledger accounts  
c) Trial balance as at 31<sup>st</sup> January 2009.

**(20 marks)**

**QUESTION 5**

On 31<sup>st</sup> December 2012, the bank column of Mutua's cash book showed a debit balance of sh. 150,000. The monthly statement written up to 31<sup>st</sup> December 2012 showed a credit balance of sh. 295,000. On checking the cashbook with the bank statement was discovered that the following transaction had not been entered in the cashbook.

- a) Dividends of sh. 24,000 had been paid directly into the bank account.  
b) A credit transfer KRA VAT refund of sh. 26,000 had been collected on behalf of Mutua by the bank.  
c) Bank charges amounted to sh. 3,000.  
d) A direct debit of sh. 7,000 for the Kisii Sports Club subscription had been paid by the bank.  
e) A standing order of sh. 20,000 for materials loan repayment had been paid by the bank.  
f) Mutua's deposit account balance of sh. 140,000 was transferred into his bank current account.

A further scrutiny revealed the following items;

- i) Two cheques drawn in favour of Tom Omondi sh. 25,000 and Frank Momanyi sh. 29,000 had been entered in the cashbook but had not been presented to the bank for payment.
- ii) Cheque amounting to sh. 69,000 had been paid into the bank to on 31<sup>st</sup> December 2012 but were not credited by the bank until 2<sup>nd</sup> January 2013.

**Required:**

- a) Updated cashbook. **(5 marks)**
- b) Prepare a bank reconciliation statement as at 31<sup>st</sup> December 2012. **(15 marks)**