



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Engineering & Technology***

DEPARTMENT OF ELECTRICAL & ELECTRONICS ENGINEERING

UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF SCIENCE IN ELECTRICAL & ELECTRONIC ENGINEERING

**HRD 2115: 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 Three printed pages*

---

**QUESTION 1 (Compulsory)**

- a) List and explain the objectives of accounting. **(14 marks)**
  
- b) Explain the **EIGHT** stages of the accounting cycle and draw a diagram showing the stages of the accounting cycle. **(12 marks)**
  
- c) Define book keeping according to R.N Carter. **(2 marks)**
  
- d) Define accounting according to the American Institute of Certified Public Accountants (AICPA). **(2 marks)**

## QUESTION 2

From the following trial balance of P. Boones draw up a trading and profit and loss account for the year ended 30<sup>th</sup> September 2002, and a balance sheet as at that date.

**(20 marks)**

	<b>Dr.</b>	<b>Cr.</b>
Stock 1 <sup>st</sup> October 19 x 8	23,680	
Carriage outwards	2,000	
Carriage inwards		3,100
Return inwards	2,050	3,220
Returns outwards		
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixture and fittings	3,500	
Debtors	38,960	
Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital	-	<u>126,360</u>
	<u><b>332,890</b></u>	<u><b>332,890</b></u>

## QUESTION 3

- a) Explain the importance of ratio analysis to a business enterprise. **(8 marks)**
- b) Identify with reasons, one party who may be intercasted in each of the following ratios:
- i) Current ratio **(2 marks)**
  - ii) Net profit margin **(2 marks)**
  - iii) Stock turnover **(2 marks)**
- c) Citing suitable examples, briefly explain of the following terms:
- i) Accounting Concepts **(2 marks)**
  - ii) Accounting Policies **(2 marks)**
  - iii) Accounting standards **(2 marks)**

#### QUESTION 4

- a) List and explain **FIVE** factors that should be taken into account by a businessman in making the choice between financing by short-term and long term sources. **(10 marks)**
- b) Enumerate **FIVE** advantages of convertible bonds from the point of view of the borrower. **(10 marks)**

#### QUESTION 5

- a) Define agency relationship from the context of a public limited company and briefly explain how this arises. **(6 marks)**
- b) Highlight the various measures that would minimize agency problems between the owners and the management.
- c) Evaluate any **THREE** factors that may be responsible for the slow growth in the number of companies seeking listing at the Nairobi Stock Exchange. **(8 marks)**