



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Engineering & Technology

DEPARTMENT OF ELECTRICAL & ELECTRONIC ENGINEERING

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF ELECTRICAL & ELECTRONIC ENGINEERING

HRD 2115: ACCOUNTS AND FINANCE

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: JUNE/JULY 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 Four printed pages

QUESTION 1 (Compulsory)

- a) Discuss the nature and role of accounting. **(5 marks)**
- b) Explain the desirable characteristics of accounting information. **(5 marks)**
- c) The books of Amina showed the following balances at the close of business on 31st December 2014:

	Dr.	Cr.
	Shs.	Shs.
Capital		25,688
Drawings	4,100	
Cash in hand	240	
Cash at bank	7,752	
Creditors		6,090

Debtors	9,154	
Fixtures and fittings	1,200	
Motor vehicles	4,800	
Sundry expenses	230	
Stationery	552	
Electricity expense	1,330	
Insurance	292	
Rates	240	
Rent	912	
Motor expenses	1,328	
Salaries and wages	4,894	
Inventory 1.1.2014	7,552	
Purchase	<u>25,112</u>	<u>37,910</u>
Sales	<u>69,688</u>	<u>69,688</u>

Notes

- Closing inventory sh. 9,996,000
- Expenses which are owing: motor repairs sh. 112,000; rent sh. 48,000; electricity sh. 52,000; stationery sh. 37,000.
- Expenses which have been prepaid: motor tax sh. 50,000; rates sh. 40,000; insurance sh. 70,000
- Stock of stationery sh. 25,000
- Depreciation is charged on motor vehicles at 5% on cost, fixture and fittings at 6% on cost.
- An allowance for doubtful debts was made on accounts receivable at 5%

Required

Prepare

- Income statement of Amina for the year ended 31st December 2014; and (12 marks)
- A balance sheet as at that date. (8 marks)

QUESTION 2

The following details were extracted from the books of Jambo Enterprises for the month of January, 2015:

2015

January 1 st	balance brought down from December 2014:	
	Cash balance	29
	Bank balance	654
	Debtors accounts:	
	B. Kingi	120
	N. Kambi	280
	D. Randu	40
	Creditors accounts:	

	A. Balala	60
	K. Ayah	440
	R Loko	100
2 nd	B. Kingi pay by cheque, having deducted 2 ½ % cash discount	
8 th	The firm pays R. Loko his account cheque, deducting 2 ½ % discount	
11 th	The business withdrew sh. 100,000 cash from the bank for business use.	
16 th	N. Kambi pays his account by cheque, deducting 2 ½ % cash discount	
25 th	Jambo Enterprises paid wages in cash sh. 92,000	
28 th	D. Randu paid cash after having deducted 2 ½ % cash discount	
29 th	Jambo Enterrises paid A Balala by cheque less 5% cash discount	
30 th	The firm paid K. Ayah by cheque less 2 ½ % cash discount	

Required:

- Enter the above transactions in a three column cashbook. Balance off the cashbook at the end of the month and show the discount accounts in the general ledger. **(13 marks)**
- Show the debtors accounts in the sales ledger. **(3 ½ marks)**
- Show the creditors accounts in the purchases ledger. **(3 ½ marks)**

QUESTION 3

The summary of the bank column in cashbook of DT Dobie Ltd for the year ending 31st December 20 x 1 is as follows:

	Sh. '000'
Opening balance	1,654
Receipts	<u>332,478</u>
	334,132
Payments	<u>316,735</u>
	<u>17,397</u>

Your investigation of the accounting records for this period reveals the following information

- Cheque paid to suppliers of sh. 1,435,000 have not yet been presented at the bank, and cheques paid into the bank, and cheques paid into the bank of sh. 1,620,000. On 31st December 20 x 1 have not yet been credited to the company's account at the bank.
- Standing orders entered in the bank statement have been omitted from the cashbook in respect of lease payments on company vehicle, 12 months at sh. 96,000 per month, and annual insurance of sh. 150,000.
- Bank charges of sh. 452,000 shown in the bank statement have not been entered in the cashbook.
- A cheque drawn for sh. 127,000 has been entered in the cashbook as sh. 172,000 and a cash page on the receipts side has been undercasted by sh. 200,000.
- A cheque for sh. 238,000 has been debited to the company's bank account in error by the bank.
- The bank statement shows a favourable balance as at 31st December 20 x 1 of sh. 15,465,000.

Required

Prepare

- i) An updated cashbook (8 marks)
- ii) Bank reconciliation statement as at 31st December 20 x 1 (12 marks)

QUESTION 4

The following data are supplied relating to two investment projects, only one of which may be selected:

	Project A	Project B
	Sh. 000	Sh. 000
Initial capital expenditure	50,000	50,000
Profit (loss) year 1	25,000	10,000
2	20,000	10,000
3	15,000	14,000
4	10,000	20,000
Estimated resale value of year 4	10,000	10,000

Notes

- 1. Profit is calculated after deducting straight line depreciation.
- 2. The cost of capital is 10%

Required:

- a) Calculate for each project;
 - i) average annual rate of return on average capital invested;
 - ii) payback period
 - iii) net present value (12 marks)

- b) Briefly discuss the relative merits of the three methods of evaluation mentioned in (a) above. (6 marks)

- c) Explain which project you would recommend for acceptance. (2 marks)

QUESTION 5

Discuss the major sources of finance to a profit making business. (20 marks)