

TECHNICAL UNIVERSITY OF MOMBASA

School of Business

DEPARTMENT OF BUSINESS ADMINISTRATION

DIPLOMA IN ACCOUNTANCY

DIPLOMA IN BUSINESS ADMINISTRATION

DIPLOMA IN BUSINESS MANAGEMENT

DIPLOMA IN PROCUREMENT AND MATERIAL MANAGEMENT

DIPLOMA IN SALES AND MARKETING

DIPLOMA IN HUMAN RESOURCE MANAGEMENT

DIPLOMA IN FRONT OFFICE OPERATION

BAC 2104: FINANCIAL ACCOUNTING

SERIES: APRIL 2016

TIME: 2 HOURS

INSTRUCTIONS

- This paper consists of FIVE questions.
- Answer question ONE (Compulsory) and any other TWO questions

SECTION A

1 a) financial information is used to support economic decision making. Explain this statement highlighting users of this statements (10 marks)

b) Write up the following transactions in the books of L Thompsons: (15 marks)

2008

March 1 Started business with cash ksh. 1,500

- " 2 Bought goods on credit from A Hanson ksh. 296
- „ 3 Paid rent by cash ksh. 28
- " 4 Paid ksh. 1000 of the cash of the business into the bank account.
- " 5 Sold goods on credit to E Linton ksh. 54
- „ 7 Bought stationery ksh. 15 paying by cheque
- „ 11 Cash sales ksh 49
- „ 14 Goods returned by us to A Hanson ksh 17
- „ 17 Sold goods on credit to S Morgan ksh 18
- „ 20 Paid for repairs to the building by cash ksh 18.
- „ 22 E Linton returned goods to us ksh 14.
- „ 27 Paid Hanson by cheque ksh 279.
- „ 28 Cash purchases ksh 125.
- „ 29 bought a Van paying by cheque ksh 395.
- „ 30 Paid motor expenses in cash ksh 15.
- „ 31 Bought fixtures ksh 120 on credit from A Webster.

C) There are several types of errors that will NOT affect the balancing of trial balance. Mention 5 such errors (5 marks)

SECTION B

QUESTION TWO

From the following trial balance of R Graham, draw up a trading and profit and loss account for the year ended 30 sept 2009, and a balance sheet as at that time. (20 marks)

	Dr	Cr
Stock 1 October 2008	2,368	
Carriage outwards	200	
Carriage inwards	310	
Returns inwards	205	
Returns outwards		322
Purchases	11,874	
Sales		18,600
Salaries & wages	3,862	
Rent	304	
Insurance	78	
Motor expenses	664	
Office expenses	216	
Lightning & heating expenses	166	
General expenses	314	
Premises	5000	
Motor vehicles	1,800	
Fixtures & fittings	350	
Debtors	3,896	
Creditors		1,731
Cash at bank	482	
Drawings	1,200	

Capital		12,636
	<u>33,289</u>	<u>33,289</u>

Stock at 30 September 2009 was shs. 2,946.

QUESTION THREE

- a) Enter the following transactions of a computer repair shop in the accounts and extract a trial balance as at 31 March 2006. (15 marks)

2006

- March 1 started business with sh. 800 in the bank
- „ 2 bought goods on credit from the following persons: K Henriques sh. 76; M Hyatt sh. 27; T Braham sh. 56
- „ 5 cash sales sh. 56
- „ 6 paid wages in cash sh. 14
- „ 7 sold goods on credit to: H Elliott sh. 35; L Lane sh. 42; J Carlton sh. 72.
- „ 9 bought goods for cash sh. 46
- „ 10 bought goods on credit from: M Hyatt sh. 57; T Braham sh. 98.
- „ 12 paid wages in cash sh. 14
- „ 13 sold goods on credit to: L Lane sh. 32; J Carlton sh. 23
- „ 15 bought shop fixtures on credit from Betta Ltd sh. 50
- „ 17 paid M Hyatt by cheque sh. 84
- „ 18 we returned goods to T Braham sh. 20
- „ 21 paid Betta Ltd a cheque for sh. 50
- „ 24 J Carlton paid us his account by cheque sh. 95
- „ 27 we returned goods to K Henriques sh. 24
- „ 30 J King lent us sh. 60 by cash
- „ 31 bought a van paying by cheque sh. 400

- b) Highlight 5 types of books of original entry (journals). (5 marks)

QUESTION FOUR

- a) Explain fundamental accounting concepts. (15 marks)
- b) Explain the term 'materiality' as it is used in the accounting. (5 marks)

QUESTION FIVE

A three –column cash book for a wine wholesaler is to be written up from the following details balance off, and the relevant discounts in the general ledger shown. (20 marks)

2008

- March 1 Balances brought forward : cash sh. 230; bank sh.4,756
- „ 2 the following paid their accounts by cheque, in each case deducting 5% cash discounts : R Burton sh. 140; E Taylor sh. 220; R Harris sh. 300 (all amounts are pre discount)
- „ 4 paid rent by cheque sh. 120
- „ 6 J Cotton lent us sh. 1,000 paying by cheque
- „ 8 we paid the following accounts by cheque in each case deducting 2.5% cash discount : n Black sh. 360; P Towers sh. 480; C Rowse sh. 800 (all amounts are pre-discount)
- „ 10 paid motor expenses in cash sh. 44
- „ 12 H Hankins pays his account of sh. 77, by cheque sh. 74 deducting sh 3 cash discount
- „ 15 paid wages in cash sh. 160
- „ 18 The following paid their accounts by cheque in neach case deducting 5% cash discount: C Winston sh. 260; R Wilson & son sh. 340; H Winter sh. 460. (all amounts are pre- discount)
- „ 21 cash withdrawn from the bank sh. 350 for business use.
- „ 24 cash withdrawn sh. 120
- „ 25 paid T Briers his account of sh. 140 by cash sh. 133, having deducted sh. 7 cash discount.
- „ 29 bought fixtures paying by cheque sh. 650
- „ 31 received commission by cheque sh. 88