



TECHNICAL UNIVERSITY OF MOMBASA
School of Humanities & Social Sciences
DEPARTMENT OF HOSPITALITY & TOURISM

UNIVERSITY EXAMINATIONS FOR DEGREE

BAC 4240: PRINCIPLES OF ACCOUNTS

END OF SEMESTER 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
- No mobile phones are allowed in the Exam Venue.

This paper consists of Four printed pages

QUESTION 1 (Compulsory)

- a) I) Define the term International Accounting Standards (IAS) and state any **THREE** of their purposes. **(5 marks)**
- II) The IAS to which most professional Accounting bodies across the world subscribe to, recognize the following fundamental accounting concepts:
- i) Going concern
 - ii) Consistency of presentation
 - iii) Prudence
 - iv) Accruals basis of accounting.

Explain each of the above concepts as used in financial accounting.

(12 marks)

b) Given below are the Assets and Liabilities of Bamba Wholesalers as at 1st November 2012.

	Ksh.
Capital	640,000
Trade creditors	60,000
Motor vehicles	680,000
Stock	25,000
Trade debtors	14,000
Cash in hand	5,000
Bank overdraft	24,000

During the month of November, 2012, the following transactions took place.

- i) Received cash sh. 7,000 from a debtor.
- ii) A motor vehicle which had a book value of sh. 140,000 was sold for sh. 145,000. The amount was received by cheque.
- iii) Paid a creditor sh. 20,000 by cheque.
- iv) Purchased goods with a list of sh. 5,000 and was allowed a trade discount of 20%. The goods were paid for by cheque.
- v) Purchased a machine for sh. 115,000 on credit from Sulwe Ltd.

Required:

Draw Bamba Wholesaler's Balance Sheet as at 30th November, 2012 after taking into account the above transactions. **(13 marks)**

QUESTION 2

a) The following transactions were extracted from the books of Diwani, a sole trader in January , 2013

- | | |
|---------------------|---|
| Jan 2 nd | started business with sh. 350,000 cash |
| 3 rd | Deposited sh. 280,000 of the cash into a bank account. |
| 5 th | Bought goods on credit from Kazungu sh. 36,000 and from Egeza sh. 49,000. |
| 7 th | Sold goods on credit to: Majengo sh. 90,000 and Pandya sh. 80,000 |
| 8 th | Paid salaries in cash sh. 50,000 |
| 10 th | Withdrew sh. 100,000 from the bank for business use. |

Required:

Ledger Accounts; fully balanced to record the above transactions. **(12 marks)**

b) Explain any **FOUR** advantages of the First-In-First-Out (FIFO) method of valuing material issues. **(8 marks)**

QUESTION 3

- a) From the following Trial Balance of Mtopanga Enterprises; prepare a Profit and Loss Account for the year ended 31st December, 2013. **(15 marks)**

	Dr. (sh.)	Cr. (sh.)
Provision for bad debts		800
Gross Profit		71,200
Wages and salaries	30,000	
Rates	6,000	
Telephone	1,000	
Shop fittings at cost	40,000	
Van at cost	30,000	
Debtors and creditors	9,800	7,000
Bad debts	200	
Capital		179,000
Bank balance	3,000	
Drawings	18,000	
Stock 31/12/2013	<u>120,000</u>	
	<u>258,000</u>	<u>258,000</u>

Additional information:

- i) Accrued wages sh. 5,000
 - ii) Rates prepaid sh. 500
 - iii) Provision for bad debts to be increased to 10% of the debtors.
 - iv) Telephone account outstanding sh. 220.
 - v) Depreciate shop fittings at 10% per annum and a van at 20% per annum on cost.
- b) Mention any **FIVE** parties who are interested in accounting information and explain the reason for each party's interest in the accounting information. **(5 marks)**

QUESTION 4

Write up a three column cashbook from the following information, balance off at the end of the month and show the relevant discount accounts as they would appear in the general ledger. (20 marks)

October 2011,

1 st	Started the business with 25,000 cash.
2 nd	Bought goods paying by cheque sh. 3,800
3 rd	Bought goods from Mashall sh. 5,000 on credit
4 th	Sold goods to ABC & Co. sh. 2,600 on credit
5 th	Cashed a cheque for office use sh. 2,000
6 th	Bought goods from XY & Co. sh. 7,400 on credit
7 th	Sold goods on credit to Kariuki sh. 3,700
8 th	Paid office expenses in cash. sh.300
10 th	Sold goods for cash sh. 2,500
11 th	Paid Mashall the amount due to him less 5% by cheque.
12 th	Received from ABC & Co. a cheque of the amount due less 4% cash discount
13 th	Paid office expenses in cash sh. 250.
17 th	Paid to XY & Co. by cheque after deducting 3% cash discount.
20 th	Received cash from Kariuki, discount allowed 2 ½ %
30 th	Banked cash, only keeping a balance of cash in hand of sh. 500

QUESTION 5

- a) i) Describe briefly the various sources of business finance. **(5 marks)**
ii) Outline the computer package used in Accounting. **(3 marks)**
- b) Ebenezer Dealers, are sellers in Gospel Compact Disks (CDs). During the month of May, 2013. Their sales and purchases of the CDs were summarized as follows:

DATE	PURCHASES		SALES	
	Units	Unit Price Shs.	Units	Unit Price Shs.
2013				
May 1 st	100	800	-	-
5 th	120	700	-	-
12 th	-	-	200	1,520
18 th	30	720	-	-
22 nd	-	-	20	1,300
TOTAL	250		220	

Required:

Prepare stock valuation card using First-In-First-Out method.

(12 marks)