



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF TECHNOLOGY IN INFORMATION TECHNOLOGY

HBC 2103: INTRODUCTION TO ACCOUNTING

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 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 Five printed pages

QUESTION 1 (Compulsory)

- a) Accounting activities are governed by rules, conventions and principles commonly known as accounting concepts. Briefly explain any **FIVE** of these concepts. **(10 marks)**

- b) Explain briefly the following terms as used in accounting:
 - i) Assets **(2 marks)**
 - ii) Owners equity **(2 marks)**
 - iii) Liabilities **(2 marks)**
 - iv) Income **(2 marks)**
 - v) Expenses **(2 marks)**

c) The following balances were obtained from the books of Kiara Enterprises on 31st December 2014.

	Sh. 000
Equipment	120,000
Debtors	24,000
Petty cash	4,000
Bank /OD	2,000
Vehicles	180,000
Accounts payables	30,000
Land and buildings	400,00
Mortgage loan	250,000
Trading inventory	16,000
Loan equity	
Payable by 30/10/2015	124,000

Required:

Calculate:

- i) Total of non-current assets. **(2 marks)**
- ii) Total of current assets. **(2 marks)**
- iii) Total of non-current liabilities. **(2 marks)**
- iv) Total of current liabilities. **(2 marks)**
- v) The owners wealth (equity) **(2 marks)**

QUESTION 2

The following information was taken from the books of Banda Stores on 31st December 2010, the last day of the business financial year.

Account	Sh.
Capital	820,550
Drawings	43,440
Sales returns	15,360
Equipment	90,000
Interest on fixed deposit	468
Fixed deposit: city investment bank	45,000
Bad debts	12,300
Bank overdraft	7,236
Wages & salaries	106,314
Vehicles	192,000
Cash at hand	1,050
Accounts receivables	50,526
Furniture	240,000
Mortgage loan: Hill investments	287,400
Sales	479,360

Land & Buildings	420,000
Cost of sales	276,600
Stocks/inventory	23,100
Rates & taxes	2,882
Interest on loan	3,156
Telephone	8,928
Repairs & maintenance	5,520
Fuel	13,164
Insurance	13,320
General expenses	7,194

Required:

- a) Prepare an income statement for the year ended 31st December 2010. (15 marks)
- b) Prepare a balance sheet as at 31.12.2010. (5 marks)

QUESTION 3

- a) The following balances were extracted from the books of VEMA Wholesalers as at 31.12.2012.

	Sh.
Capital	125,000
Bank loan	50,000
debtors	96,500
Creditors	36,200
Stock at 01-01-2012	58,500
Purchases	246,800
Sales	496,500
Returns inwards	5,200
Returns outwards	2,800
Provision for D. debts	700
Carriage inwards	8,600
Carriage outwards	7,200
Advertising	9,500
Insurance	5,400
Salaries & wages	55,800
Electricity charges	2,200
Telephone charges	3,400
Motor vehicles at cost	85,000
Provision for depreciation in motor vehicles	22,500
Provision for depreciation at cost	58,200
Provision for depreciation on furniture & Equipment	10,500

Sales commission	11,200
Rent	22,000
Drawings	15,500
Import & custom duties	20,800
General expenses	6,200
Cash at bank	23,650
Bank loan interest (till June 2012)	2,250

Required:

A trial balance using above data. **(10 marks)**

b) Briefly explain the need for accounting in business. **(10 marks)**

QUESTION 4

You have been given the following transactions for Mamu Distributor, a sole trader for the month of May 2013.

- May 1st Assets: premises 340,000, Van 51,250, fixtures 8,100, inventory 63,900, Accounts receivables: P. Mullen 1,400, F. Jane 3,100, cash hand 5,600 and cash at bank 62,400.
Liabilities: Accounts payables S. Hood 1,450 & J. Brown sh. 6,400
- 1st Paid storage costs by cheque sh. 400
- 2nd Bought goods on credit from: S. Hood 1,450, D. Man 2,060, W. Tone 960, D. Foot 660
- 3rd Goods sold on credit to: S. Wilson 1,120, T.Cole 1,640, F. Syme 2,080, J. Allen 910, P. White 2,420, & F. Jane 960.
- 4th Paid for motor expenses in cash 600
- 7th Cash drawings by proprietor 1,500
- 9th Goods sold on credit to: T. Cole 680, S. Fox 1,310
- 11th Goods returned by J. Wilson 320, F. Syme 480
- 14th Received cheques for P. Mullen, F. Jane, J. Wilson and F. Syme for all the amount used less 5% discount.
- 19th Returned Goods to F. Fort 60.
- 22nd Bought goods on credit from: L. Mole 1,830 & W. Wright 1,910
- 24th Paid the following accounts less 5% discount by cheque. S. Hood, J. Brown and R. Fort
- 27th Paid salaries by cheque 7,400
- 30th Paid business rates by cheque 1,400

Required:

a) Journal entries to record the above transactions. **(15 marks)**

b) Briefly state and explain the contents of the Day books. **(5 marks)**

QUESTION 5

- a) Briefly explain the uses of journals. **(4 marks)**
- b) Briefly explain errors not detected by the preparation of a trail balance. **(10 marks)**