



TECHNICAL UNIVERSITY OF MOMBASA
School of Business

DEPARTMENT OF BUSINESS ADMINISTRATION

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF BUSINESS ADMINISTRATION
BACHELOR OF COMMERCE

BAC 4101: INTRODUCTION TO ACCOUNTING I

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 Three printed pages

QUESTION 1 (Compulsory)

Bakari had the following assets and liabilities on 1st August 2014:

Cash in hand sh. 234,500; cash at bank sh. 1,981,500; inventory sh. 4,678,000; accounts receivable: Njoroge sh. 2,173,000; Omolo sh. 2,467,000; furniture sh. 2,450,000; accounts payable: Bidco Ltd sh. 3,984,000; loan from Equity Bank Ltd sh. 2,500,000

The following transactions took place in Bakari's business in the month of August 2014

August	1 st	Bought goods on credit from Bidco Ltd sh. 1,350,000
	2 nd	Paid carriage expenses in cash sh. 95,000
	3 rd	Sold goods on credit to Njoroge sh. 1,610,000
	4 th	Goods returned by Njoroge, sh. 210,000
	5 th	Sold goods and received a cheque for sh. 725,000
	6 th	Returned goods to Bidco Ltd sh. 250,000

- 7th Paid wages by cheque, sh. 176,000
- 8th Sold goods for cash sh. 239,000
- 9th Issued a cheque to Bidco Ltd sh. 1,850,000
- 10th Sold goods on credit to Omolo sh. 1,173,000
- 11th Goods were returned by Omolo sh. 154,000
- 12th Bought goods on credit from Bidco Ltd sh. 1,420,000
- 13th Paid carriage expenses in cash sh. 82,000
- 14th Received a cheque from Omolo sh. 2,175,000
- 16th Received a cheque from Njoroge, sh. 1,745,000
- 17th Bought goods and paid in cheque, sh. 1,150,000
- 18th Bought a motor van through funding by Credit Finance Corporation (CFC)
Sh. 5,000,000
- 19th Sold goods for cheque sh. 1,429,000
- 20th Issued a cheque for purchase of new furniture, sh. 450,000
- 21st Paid rent by cheque, sh. 320,000
- 22nd Sold goods for cash sh.295,000
- 23rd Issued a cheque to CFC, sh. 2,500,000
- 24th Received a cheque from Omolo sh. 942,000
- 25th Bought goods on credit from Bidco Ltd, sh. 1,132,000
- 26th Paid carriage expenses in cash sh. 77,000
- 28th Returned goods to Bidco Ltd sh. 145,000
- 29th Issued a cheque to Bakari for his personal use, sh. 250,000
- 30th Paid wages in cash sh. 185,000

Required:

- a) Determine Bakari's opening capital balance. **(4 marks)**
- b) Record all the above transactions in the books of original (prime) entry. **(6 marks)**
- c) Post the transactions in his ledger and balance off all the accounts; and **(12 marks)**
- d) Extract a trial balance for the month of August 2014. **(8 marks)**

QUESTION 2

Discuss the desirable characteristics of accounting information. **(20 marks)**

QUESTION 3

The cashbook of Allan Mutua at 31st March 2014, showed a debit balance of sh. 5,240,000, whereas the bank statement at the same date showed sh. 8,333,000. On comparing the cash book with the bank statement the following differences were obtained:

- a) A cheque paid to a creditor for sh. 974,000 was entered in the cashbook as sh. 794,000.
- b) Dividends from investments received by the bank amounted to sh. 250,000.
- c) Bank charges not entered in the cash book of sh. 97,000.
- d) A standing order for a trade subscription was not entered in the cashbook for sh. 18,000.
- e) Unpresented cheques amounted to sh. 3,468,000.
- f) Bank deposits not credited by the bank amounted to sh. 274,000.
- g) Cheques returned by the bank marked “refer to drawer” not adjusted in the cashbook amounted to sh. 56,000.

Required:

- i) Prepare an updated cashbook as at 31.3.2014. **(12 marks)**
- ii) A bank reconciliation statement as at 31.3.3014. **(8 marks)**

QUESTION 4

At 31st March 2014, the trial balance of Arif Musa failed to agree. The debit balances totaled sh. 1,781,200. The following errors were later discovered.

- 1. A total in the sales daybook of sh. 1,222,000 had been carried forward as sh. 1,110,000.
- 2. Discount allowed amounting to sh. 4,500 has been posted from the cashbook to the wrong side of discounts allowed account.
- 3. A bad debt of sh. 2,000 had been written off to bad debts account, but no entry had been made in the personal account.
- 4. The total in the purchase day book had been overstated by sh. 5,000.

Required:

- a) Show the journal entries necessary to correct the above errors. **(10 marks)**
- b) Show how the entries in the suspense account would be recorded. **(10 marks)**

QUESTION 5

The following trial balance was extracted from the ledger of Kwale enterprises as at 31st December 2013.

	Dr.	Cr.
Drawings	2,000	
Capital		14,000
Cash	950	
Insurance	150	
Administration expenses	800	
Rent receivable		300
Accounts receivable	3,000	
Inventory as at 1.1.2013	1,500	
Carriage outwards	200	
Returns outwards		500
Purchases	16,000	
Discounts received		150
Discounts allowed	250	
Heating and lighting	400	
Rent and rates	500	
Accounts payable		2,500
Equipment	4,000	
Premises	12,000	
Wages	5,000	
Carriage inwards	200	
Sales returns	500	
Sales	<u> </u>	<u>30,000</u>
	<u>47,450</u>	<u>47,450</u>

As at 31st December 2013 the following additional information is available:

1. Sh. 50,000 of administration expenses remain unpaid.
2. Sh. 30,000 of insurance relates to the following year.
3. Bad debts of sh. 50,000 are to be written off.
4. Sh. 20,000 of wages are outstanding, relating to overtime worked in December.
5. S. 50,000 of rent is still owing to the business.
6. Closing inventory is valued at sh. 2,000,000
7. Equipment is to be depreciated by sh. 800,000

Required:

- a) Prepare income statement for the year ended 31st December 2013 and ; **(12 marks)**
- b) A balance sheet as at that date. **(8 marks)**