



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF HOTEL AND HOSPITALITY MANAGEMENT

BAC 4240: INTRODUCTION TO PRINCIPLES OF ACCOUNTING

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: FEBRUARY 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)

- a) Briefly discuss the meaning and definition of book-keeping and that of accounting. Distinguish the **TWO** concepts using their objectives. **(10 marks)**
- b) What is the importance of accounting in relation to users of accounting information. **(10 marks)**
- c) Oliver commenced business on 1st June 2014. The following transactions took place during the month of June.

June

- 1st Introduced cash of sh. 4,000 and car valued at sh. 1,750
- 2nd Bought goods for cash at a cost of sh. 1,130
- 8th Paid wages of sh. 13 and sundry expenses of sh. 2
- 9th Sold goods on credit to Victor for sh. 190
- 14th Sold goods on credit to Susan for sh. 240
- 18th Bought goods on credit from William for sh. 85

- 22nd Bought fixtures and fittings at a cost of sh. 350
- 25th Paid wages of sh. 38
- 26th Paid drawings to himself of sh. 80
- 30th Victor paid the full amount owing
- 30th Paid rent of sh. 500

Required:

Enter the transactions in Oliver's ledgers. **(10 marks)**

QUESTION 2

- a) Discuss any **FIVE** advantages of accounting. **(10 marks)**
- b) Briefly describe any **FIVE** limitations of accounting. **(10 marks)**

QUESTION 3

Simon a sole proprietor had a statement of equity as at 1st June 2014 as follows:

Capital	14,000	Fixed assets:	Premises	10,000	
Liabilities			Fixtures	<u>2,000</u>	12,000
William	2,000	Current:	Stock	5,000	
Paul	<u>3,000</u>		Debtor (Sam)	600	
			Bank	1,400	<u>7,000</u>
					<u>19,000</u>
					<u>19,000</u>

His transactions in the month of June were as follows:

June

- 1st Purchased goods on credit from William for sh. 1,000
- 2nd Cash sales sh. 2,000
- 3rd Sold items sh. 600 to Clare on credit
- 4th Paid William sh. 600 on account
- 5th Sam paid sh. 560 in full settlement, which allowed him a discount of sh. 40
- 8th Cash sales sh. 1,800
- 9th Purchased fixtures sh. 700 for cash
- 10th Sold goods on credit to Sam for sh. 800
- 11th Sold goods to Anne for sh. 300
- 16th Purchased goods on credit from Paul for sh. 4,000
- 17th Purchased items from William on credit for sh. 2,000
- 19th Paid Paul sh. 6,600 in full settlement
- 21st Returned goods costing sh. 200 to William
- 23rd Returns received from Ann selling price of sh. 200
- 26th Ann paid sh. 90 in full settlement
- 28th Cash sales sh. 4,600
- 30th Paid William sh. 1,800 on account

Enter the transactions in his ledgers and take out a trial balance. **(20 marks)**

QUESTION 4

- a) Prepare a journal and show the entries necessary to record the following items and their **duration** for April 2014

April

- 1st Bought fixtures on credit from Bell & Co. at sh. 1,153
4th We take goods costing sh. 340 out of the business inventory without paying for them
9th Sh. 68 of the goods taken by us on April 4th is returned back into inventory by us. We do Not take any money for the return of the goods.
12th H comes owes us sh. 640. He is unable to pay his debt.
We agree to take some computer equipments from him at that value and 50 cancel the Debt
18th Some of the fixtures bought from Bell & Co. worth sh. 42 are found to be unsuitable and Are returned to them for full allowance
24th A debt owing to us by P. Cees of sh. 124 is written off as a bad debt
30th Office equipment bought on credit from furniture today Ltd for sh. 1,710

(14 marks)

- b) Briefly discuss the distinctions between a journal and a ledger.

(6 marks)

QUESTION 5

- a) Discuss the **THREE** basis of accounting.

(9 marks)

- b) Define and briefly describe who a sole proprietor is in accounting.

(3 marks)

- c) Briefly discuss the following accounting terminology:

- i) Transaction
- ii) Debtor
- iii) Capital
- iv) Expenditure

(8 marks)