



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

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

BAC 4101: INTRODUCTION TO ACCOUNTING I

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)

The balance sheet of Allan Ing'aa as at 31st December, 2014 is given below:

	Sh. 000	Sh. 000
Non-current assets		
Fixtures and fittings at cost	1,200	
Less depreciation	<u>500</u>	
		700
Motor vehicle at cost	1,500	
Less depreciation	<u>400</u>	
		<u>1,100</u>
		1,800

Current assets

Inventory	3,000	
Accounts receivable	1,700	
Bank	<u>500</u>	
		5,200
		<u>7,000</u>

Capital and Liabilities

Capital balance 1.1.2014		4,500
Net profit for the year		<u>4,000</u>
		8,500
Less Drawings		<u>3,000</u>
		5,500

Current liabilities

Accounts payable		1,490
Suspense account		<u>10</u>
		<u>7,000</u>

Subsequently the following errors were discovered:

- The purchase day book had been undercast by sh. 80,000.
- A new cash register costing sh. 60,000 had been debited to repairs account (depreciation on fixtures is 15%).
- A debit balance of sh. 40,000 for Somba was omitted from total debtors.
- An entry for sh. 10,000 returns outwards was made in error in the sales daybook instead of the purchases returns daybook.
- A cheque, for sh. 25,000, paid to David (a creditor) was correctly entered in the cashbook, but credited in error to his account.
- Goods valued at sh. 200,000 were taken by Allan Ing'aa for his own use, but no entry had been made.
- A bad debts of sh. 25,000 should have been written off Wambua's account.
- Sh. 90,000 discount received had been correctly entered in the cashbook, but had been posted to the wrong side of discounts received account.

Required:

- Show the journal entries necessary to correct the above errors; and **(18 marks)**
- Show a statement adjusting the original profit; and **(6 marks)**
- A corrected balance sheet. **(6 marks)**

QUESTION 2

The summary of the bank column in the cashbook of DVT Ltd for the year ending 31st December 20 x 9 is as follows:

	Sh. 000
Opening balance	1,654
Receipts	<u>332,478</u>
	334,132
Payments	<u>316,735</u>
	<u>17,397</u>

Your investigation of the accounting records for this period reveals the following information:

- a) Cheques paid to suppliers of sh. 1,435,000 have not yet been presented at the bank, and cheques paid into the bank of sh. 1,620,000 on 31st December 20 x 9 have not yet been credited to the company's account.
- b) Standing orders entered in the bank statement have been omitted from the cashbook in respect of lease payments on company vehicle, 12 months at sh. 96,000 per month, and annual insurance of sh. 150,000.
- c) Bank charges of sh. 452,000 shown in the bank statement have not been entered in the cashbook.
- d) A cheque drawn for sh. 127,000 has been entered in the cashbook as sh. 172,000, and a cashbook page on the receipts side has been undercasted by sh. 200,000
- e) A cheque for sh. 238,000 has been debited to the company's bank account in error by the bank.
- f) The bank statement shows a favourable balance as at 31st December 20 x 9 of ths 15,465,000.

Required:

Prepare

- a) An updated cashbook. **(10 marks)**
- b) Bank reconciliation statement as at 31st December 20 x 9. **(10 marks)**

QUESTION 3

- a) Explain the nature and role of accounting. **(8 marks)**
- b) Discuss **EIGHT** main users of accounting information. **(12 marks)**

QUESTION 4

Faisal wishes to include debtors and creditors control accounts in the nominal ledger. From the particulars given below construct these accounts for the year ended 31st December, 2014:

	Sh. 000
Balances at 1st January 2014:	
Sales ledger debit balances	7,300
Sales ledger credit balances	50
Purchase ledger credit balances	4,200
Purchase ledger debit balances	160
Totals for the year ended 31st December, 2014:	
Credit sales	112,500
Credit purchases	88,600
Cash received from debtors	109,500
Payments to creditors including a refund of an Overpayment of sh. 30,000 to a customer who had made a double payment for sale	85,800
Discounts allowed	1,250
Discounts received	500
Returns inwards	1,700
Returns outwards	1,500
Credit balances in the purchase ledger which Were transferred to sales ledger accounts	250
Debit balances in the sales ledger which were transferred to purchase ledger accounts	150
Bad debts written off	100
At 31st December 2014:	
Sales ledger credit balance	20
Purchase ledger debit balance	70

QUESTION 5

The books of James Randu showed the following balances at the close of business on 30th June, 2014.

	Dr.	Cr.
	Sh. 000	Sh. 000
Sales		37,910
Purchases	25,112	
Inventory 1.7.2014	7,552	
Salaries and wages	4,894	
Motor expenses	1,328	
Rent	912	
Rates	240	
Insurances	292	
Lighting and heating expenses	<u>1,330</u>	
Stationery	552	
Sundry expenses	230	
Motor vehicles	4,800	
Fixtures and fittings	1,200	
Accounts receivable	9,154	
Accounts payable		6,090
Cash at bank	7,752	
Cash in hand	240	
Drawings	4,100	
Capital	<u> </u>	<u>25,688</u>
	<u>69,688</u>	<u>69,688</u>

Notes

1. Closing inventory sh. 9,996,000.
2. Expenses which were owing: motor repairs sh. 112,000; rent sh. 48,000; electricity sh. 52,000; stationery sh. 37,000.
3. Expenses which have been prepaid; motor tax sh. 50,000; rates sh. 40,000; insurances sh. 70,000.
4. Stock of stationery sh. 25,000.
5. Depreciation is charged on motor vehicles at 5% on cost; fixtures and fittings at 6% on cost.
6. An allowance for doubtful debts was made on accounts receivable at 5%.

Required:

Prepare

- i) Income statement of James Randu for the year ended 31st December 2014; and (12 marks)
- ii) A balance sheet as at that date. (8 marks)