TECHNICAL UNIVERSITY OF MOMBASA

Faculty of Engineering & Technology

DEPARTMENT OF ELECTRICAL & ELECTRONIC ENGINEERING

UNIVERSITY EXAMINATIONS FOR DEGREE IN

BACHELOR OF ELECTRICAL & ELECTRONIC ENGINEERING

HRD 2115: ACCOUNTS AND FINANCE

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) The following Trial balance was extracted from the books of Sumeka Enterprises as at 31st December 2012.

TRIAL BALANCE

	Dr.	**Cr.**
	Shs.	**Shs.**
Purchases	1,600,000	
Creditors		2,500,000
Stock at 1st Jan. 2012	1,500,000	
Sales		30,000,000
Premises	12,000,000	
Sales returns	500,000	

Purchases returns		500,000
Equipment	400,000	
Carriage inwards	200,000	
Wages	5,000,000	
Debtors	3,000,000	
Discount received		150,000
Rent received		300,000
Rand and rates	500,000	
Heating & lighting	400,000	
Discount allowed	250,000	
Carriage outwards	200,000	
Administrative expenses	800,000	
Insurance	150,000	
Cash	950,000	
Bank	18,000,000	
Capital		14,000,000
Drawings	2,000,000	
	47,450,000	**47,450,000**

Additional information as at 31st December 2012

i) Stock information as at 31st December 2012 was valued sh. 2,000,000
ii) Accrued rental income was valued at sh. 50,000.
iii) Wages owing as at 31st December 2012 was sh. 20,000.
iv) Outstanding administration expenses was sh. 50,000
v) Insurance expense included sh. 30,000 for the payment of the year 2013.
vi) Bank debt of shs. 50,000 are to be written off.
vii) Depreciation on equipment is 20% on the cost.

Required:

i) Income statement for year ending 31st December 2012.
ii) Balance sheet as at that date. **(20 marks)**

b) A choice is to be made between two competing project requiring an initial investment outlay of Ksh. 500,000 each and are expected to generate net cash flows as follows:

Year	Project 1	Project II
1	250,000	100,000
2	150,000	120,000
3	100,000	180,000
4	120,000	250,000
5	80,000	80,000
6	60,000	40,000

The cost of capital is 10%

Required:

Using the NPV which project should be accepted and why? **(10 marks)**

QUESTION 2

a) Briefly explain why it is important for a business entity to prepare a bank reconciliation statement. **(3 marks)**

b) Differentiate between uncredited cheque and unpresented cheques. **(3 marks)**

c) On 31st December 2007, the cashbook (bank column) of Mueni Enterprises Ltd showed debit balance sh. 171,000. This did not agree with balance shown in the bank statement. Upon investigation the book discovered the following:

i) A cheque for sh. 70,000 had not been presented to the bank for payment.
ii) Bank charges of sh. 8,000 had not been in the cash book.
iii) A standing order of sh. 27,000 had not been recorded in the cashbook.
iv) A cheque for sh. 2,000 paid to a creditor was entered in the cash column of the cashbook.
v) A cheque for sh. 40,000 previously received and paid into the bank had been returned by the drawer's bank "dishonoured".
vi) Dividend received of sh. 10,000 had not been entered in the cashbook.
vii) Cheques amounting to sh. 45,000 had not been credited by the bank.

Required:

i) Updated cashbook
ii) Bank reconciliation statement as at 31/12/2007

(14 marks)

QUESTION 3

Mwanakwetu started a business, on 1st January 2007. The following is a summary of his transaction for the month.

January	1st	Bought goods worth sh. 70,000 from Mwandime traders invoice no. 052.
	2nd	Bought goods on credit from Otieno sh. 140,000 invoice number 014
	4th	Credit sales, to Karisa ash. 60,000 invoice number 001
	8th	Goods returned to Mwandime sh. 5,000 credit note number 145
	14th	Credit sales to Maneno sh. 75,000 invoice number 002
	19th	Goods returned by Karisa ash. 4,000 credit note number 01
	24th	Credit purchases from Mwasi traders sh. 250,000 invoice number 024.
	26th	Goods returned to Mwasi traders sh. 150,000 credit note number 026.
	31st	Goods returned by Maneno sh. 9,000 credit note number 02.

Required:

a) Sales journal
b) Purchases journal
c) Purchases return journal
d) Sales returns journal **(6 ½ marks)**
e) Sales ledger
f) Purchases ledger
g) General ledger **(8 ½ marks)**
h) Trial balance as at 31st January 2007. **(5 marks)**

QUESTION 4

a) Explain the following terms:
   i) Mutually exclusive investments
   ii) Independent investment
   iii) Contingent investment. **(6 marks)**

b) A project costed sh. 6m with an expected life of five years with a nil residue value. The expected earnings before depreciation and tax are:

Year	1	2	3	4	5
EBDT	920,000	960,000	980,000	1,000,000	1,200,000

The tax rate is 30% and straight line depreciation is applicable for tax purposes.

Required:
Calculate the ARR. **(8 marks)**

c) Identify and explain atleast **FIVE** users of accounting information and how it is useful to such users. **(6 marks)**

QUESTION 5

a) Write short notes on the following accounting concepts:
   i) Going concern
   ii) Prudence
   iii) Consistency **(6 marks)**

b) What is the role of finance manager? **(8 marks)**

c) The ordinary shares of supermarket Ltd are currently trading at sh. 12.90 at NSE. For the year just ended, the supermarket chain paid a dividend of sh. 1.50 per share. Growth rate in dividend is expected to be at a constant rate of 5%. Issue of New ordinary shares will attract a floatation costs of 10% of the issue proceeds.

   Required:

   i) Determine the costs of retained earnings to the company.

   ii) Determine the costs of external equity for the company.

(6 marks)