



**TECHNICAL UNIVERSITY OF MOMBASA**  
**Faculty of Engineering & Technology**

DEPARTMENT OF COMPUTER SCIENCE & IT

UNIVERSITY EXAMINATIONS FOR DEGREE

**HPS 2103: FINANCIAL 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 Four printed pages***

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**QUESTION 1 (Compulsory)**

- a) State and briefly explain the major limiting factors in the application of ratio analysis. **(10 marks)**
- b) The following information is a summarized Trading Profit and Loss account for the period ending 31<sup>st</sup> December 2014

**Trial Balance as at 31<sup>st</sup> December 2014**

	<b>Shs.</b>
Sales	1,406,250
Opening stock	320,000
Add purchases	<u>651,250</u>
	971,250
Less closing stock	<u>465,000</u>
	<u>506,250</u>
Gross Profit	900,000

Less selling adm. Expenses	<u>618,750</u>
Net Profit	<u>281,250</u>

Additional information

On 31st December 2014, the net fixed assets were shs. 937,500. Current assets were shs. 600,000 and current liabilities shs. 375,000.

**Required:**

- |                               |                  |
|-------------------------------|------------------|
| a) Gross Profit margin        | <b>(4 marks)</b> |
| b) Net Profit margin          | <b>(4 marks)</b> |
| c) Current ratio              | <b>(4 marks)</b> |
| d) Return on capital employed | <b>(4 marks)</b> |
| e) Fixed assets turnover      | <b>(4 marks)</b> |

**QUESTION 2**

The following Trial Balance was extracted from the books of Paka Watoto at the close of his business 31<sup>st</sup> December 2014

	<b>Dr.</b>	<b>Cr.</b>
	<b>Shs.</b>	<b>Shs.</b>
Purchases	228,600	
Sales		419,700
General expenses	4,500	
Stock 1 <sup>st</sup> Dec. 2014	51,600	
Wages and salaries	89,400	
Drawings	28,800	
Capital		72,000
Bank overdraft		43,500
Cash	900	
Debtors	119,100	
Delivery van	21,000	
Rent and insurance	17,400	
Creditors		60,600
Return inwards	8,100	
Discount received		9,300
Fixture and fittings	12,000	
Discount allowed	14,400	
Return outwards		5,700
Carriage outwards	21,600	
Provision for bad and doubtful debts	<u>          </u>	<u>6,600</u>
	<b><u>617,400</u></b>	<b><u>617,400</u></b>

Additional information

- i) Stock on 31<sup>st</sup> December 2014 was sh. 42,900
- ii) Wages and salaries accrued was sh. 42,100, office expenses sh. 200
- iii) Rent prepaid was sh. 1,800.
- iv) Increase the provision for bad and doubtful debts by sh. 1,500 to sh. 8,100
- v) Provide for depreciation as follows:
  - Fixtures and fittings sh. 1,200
  - Delivery van sh. 300

**Required:**

- a) The Trading, Profit and Loss account for the year ended 31<sup>st</sup> December 2014. **(10 marks)**
- b) Balance sheet as at that date. **(10 marks)**

**QUESTION 3**

Explain what you understand by each of the following accounting concepts and its practical application in business.

- a) Going concern **(4 marks)**
- b) Materiality **(4 marks)**
- c) Consistency **(4 marks)**
- d) Monetary principle **(4 marks)**
- e) Business entity **(4 marks)**

**QUESTION 4**

- a) Give any **TWO** uses of a Trial balance **(2 marks)**
- b) Mr. Hapa Sipo has given the following extracted from his books as at 31<sup>st</sup> December 2014.

	<b>Shs.</b>
Cash on hand	1,200
Cash at bank	11,000
Opening stock	21,000
Debtors	8,000
Creditors	10,000
Return inwards	500
Sales	56,000
Purchases	20,500
Capital	14,900

Salaries	4,000
Water and electricity	600
Postage	200
Drawings	900
Closing stock	13,500
Furniture and fittings	7,500
Motor van	36,700
Loan	30,000
Rent received	1,200

**Required:**

From the above balances, prepare Sipo's Trial balance as at 31<sup>st</sup> December 2014. **(18 marks)**

**QUESTION 5**

Explain the following terms as used in accounting

- a) Accrued expenses **(4 marks)**
- b) Prepayments **(4 marks)**
- c) Accrued income **(4 marks)**
- d) Bad debts written off **(4 marks)**
- e) Provision for bad and doubtful debts **(4 marks)**