



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN BUSINESS ADMINISTRATION
DIPLOMA IN ACCOUNTANCY

BAC 2104: FINANCIAL ACCOUNTING

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: FEBRUARY 2015

TIME: 2 HOURS

INSTRUCTIONS:

- This paper consists of **FIVE** questions.
- Answer question **ONE (Compulsory)** and any other **TWO** questions.

This paper consists of Five printed pages.

QUESTION 1 (Compulsory)

- a) Express the accounting equation and then clearly explain how it works and give an example. (5 marks)
- b) Explain the **FOUR** sources of adjusting entries. (8 marks)
- c) i) Shown below is the cash book (bank) column for Mr. Mohamed for the month of March 2013

Date		Shs.	Date		Shs.
1/3	Balance b/d	20,000	3/3	J. Johnson	50,000
2/3	Sales (T. Collins)	40,000	10/3	Ahmed	10,000
4/3	Joseph	15,000	15/3	Mohamed Ali	8,000
5/3	Janet	10,000	20/3	Office	10,000
10/3	Dorine	5,000	31/3	Ken Gen station	10,000
15/3	Nassir	20,000			
20/3	Kazungu	13,000			
31/3	Tabitha	<u>10,000</u>		Balance c/d	<u>45,000</u>
		<u>133,000</u>			<u>133,000</u>

Balance b/d 45,000

N.B It is Mr. Mohamed's policy that money received is banked the following day.

Mr. Mohammends bank statement for March 2013

Date		Dr.	Cr.
1	Balance b/d		20,000
3/3	Cash		40,000
4/3	Cheque	50,000	
5/3	Cash		15,000
6/3	Cash		10,000
7/3	Cheque		15,000
01/3	Cash		5,000
15/3	Cheque		
15/3	Cheque	10,000	
16/3	Cheque		20,000
17/3	Cheque	8,000	
21/3	Cheque		13,000
21/3	Cheque	10,000	
31/3	Ledger fees	2,000	
	Balance c/d	<u>58,000</u>	
		<u>138,000</u>	<u>138,000</u>
			<u>58,000</u>

Required:

- i) Statement of bank reconciliation. (9 marks)
- ii) Journal entries required to be posted to bring the cash book into agreement with the bank statement. (8 marks)

QUESTION 2

- a) Clearly differentiate between a three column cash book and a two column cash book. (5 marks)
- b) The following figures were extracted from the books of a sole trade Mr. Samuel Kaingu during the month of August 2014.

Date	Details
August 1 st	Balance brought down from last month. Cash in hand 1,440 cash at bank 18,450
2 nd	Paid insurance by cheque shs. 1,070
3 rd	Paid telephone bill by cheque 665
8 th	Cash sales shs. 3,990
10 th	Cash paid into bank shs. 3,000
12 th	He paid Catherine Khamis by cheque 5,460
14 th	Paid Timothy Gerald by cash shs. 610
15 th	Cash drawings by Samuel Kaingu shs. 1,000
17 th	Withdrew shs. 2,000 from the bank from the bank for business use.
20 th	Kenneth Mambo paid Ksh. 4,780 by cheque
24 th	Cash sales paid direct to bank shs. 2,385
28 th	Calleen Andrew paid the business by cash shs. 1,830
30 th	Paid rent by cheque shs. 2,500

Required:

Write up the above information into a two column cash book and balance off at the end of the month. (15 marks)

QUESTION 3

A, C and B were partners. Their capitals were A shs. 600,000, C shs. 400,000 and B shs. 200,000. They were sharing profits in the ratio 2:2:1 respectively. They agreed to give each other 10% interest on capital accounts.

- Salaries for C shs. 300,000 are shs. 100,000 for B per year are payable.
- Drawings were to be charged an interest of 5%. The following were the drawings by the partner's.
 - A Withdrew on 1st April 100,000
 - C Withdrew on 1st August 50,000
 - B Withdrew on 1st September 60,000

The profit of the partnership before taking into account the above was shs. 2,520,000. Round your answer to the nearest whole number.

Required:

- a) Draw the partner's appropriation account for the year ended 31-12-2013. **(14 marks)**
- b) Clearly explain any **THREE** recommendations of the Partnership Act in case there is no agreement between partners. **(6 marks)**

QUESTION 4

The following trial balance was extracted from the books of Timothy Mwala for the year ended 31st December 2012.

	Dr.	Cr.
Stock on 1 st January 2012	23,680	
Carriage outwards	2,000	
Carriage inwards	3,100	
Return inwards	2,050	
Return outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent and rates	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Furniture and fittings	3,500	
Debtors	38,960	
Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital	_____	126,360
	<u>332,890</u>	<u>332,890</u>

Closing stock was 10,000

Required:

- a) Draw up a trading and profit and loss account for the year ended 31st December 2012. (12 marks)
- b) Draw up a statement of financial position as at that date. (8 marks)

QUESTION 5

Mishi a sole trader extracted the following from her books; a trial balance as at 31st December 2011.

	Dr.	Cr.
Stock on 1 st January 2011	197,000	
Debtors and creditors	235,000	168,000
Wages and salaries	152,000	
Rent and rates	28,000	
Bad debts	11,000	
Discounts	13,000	
Fixtures and fittings	40,000	
Purchases and sales	593,000	
Bank overdraft		9,000
Cash in hand	3,000	962,000
Capital account 1 st January 2011		26,000
Drawings	144,000	
General office expenses	<u>19,000</u>	
	<u>1,435,000</u>	<u>1,435,000</u>

Notes/additional information

1. Rent prepaid at 31st December 2011 shs. 4,000.
2. Stock on 31st December 2011 shs. 178,000.
3. Depreciation shs. 10,000 for fixtures and fittings.

Required:

- a) Prepare the income statement for the year ended 31st December 2011. (14 marks)
- b) The balance sheet as at 31st December 2011. (6 marks)