



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Business & Social Studies***

DEPARTMENT OF COMPUTER SCIENCE AND IT

DIPLOMA IN INFORMATION COMMUNICATION AND TECHNOLOGY

**BAC 2150: 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) Prepare a trial balance from the following information and compute capital as the balancing figure:

	£
Plant and machinery	90,000
Bank overdraft	10,000
Stock	20,000
Debtors	30,000
Accounts payables	40,000
Loan from bank	8,000
Net profit	22,000

b) Identify CAPITAL EXPENDITURE and REVENUE EXPENDITURE from the following:

- i) Purchase of furniture for resale
- ii) Purchase of an old school bus.
- iii) Rent and Rates
- iv) Wages and Salaries for extension of office block.

(4 marks)

c) Give **TWO** reasons as to why it is important to distinguish between capital expenditure and revenue expenditure. (4 marks)

d) List **SIX** types of errors which do not affect the agreement of a trial balance. (6 marks)

e) Write brief notes on the following:

- i) Sales ledger and sales ledger control account (4 marks)
- ii) Invoice (4 marks)
- iii) Going-concern (4 marks)

## QUESTION 2

Hasira ni hasara traders had the following transactions:

February

- 1<sup>st</sup> Started business with cash in hand £80,000 and cash at bank £20,000
- 3<sup>rd</sup> Bought furniture by cheque £20,000
- 5<sup>th</sup> Bought goods by cheque £70,000
- 8<sup>th</sup> Received cash, from Chema £19,000 having allowed him cash discount of £1,000
- 9<sup>th</sup> Paid the following accounts by cheque in each case deducting 10% discount
  - Muthoni £30,000
  - Salma £15,000
  - Kiptoo £226,000
- 12<sup>th</sup> Cash sales £14,000, paid postage cash £2,000
- 16<sup>th</sup> Received a cheque of £27,500 from Ngondi in full settlement of his account of £30,000

- 20<sup>th</sup> Received from the following, allowing them a discount of 10% in each case:
- |         |         |
|---------|---------|
| Khadija | £18,000 |
| Adongo  | £27,000 |
| Maranga | £12,600 |
- 25<sup>th</sup> Took cash to the bank £32,000
- 28<sup>th</sup> Paid salaries in cash £10,000 and cheque £37,000
- 31<sup>st</sup> Cashed cheque for office cash £1,000

**Required:**

A three column cash book.

**(20 marks)**

**QUESTION 3**

The following trial balance is given for Kill Me Quick Cigars Ltd for the year ended 31<sup>st</sup> December 2013.

	<b>Dr.</b>	<b>Cr.</b>
	<b>£</b>	<b>£</b>
Sales		72,000
Purchases	46,000	
Stock	14,000	
10% debenture		10,000
15% preference shares		20,000
Ordinary share capital		40,000
Share premium		12,000
Retained profits		4,000
Cash/bank	3,000	
Debtors	2,000	
Plant and machinery	30,000	
Land and buildings	60,000	
Creditors		12,000
Director's fees	6,000	
Audit fees	7,000	
Rent and rates	<u>2,000</u>	
	<b><u>170,000</u></b>	<b><u>170,000</u></b>

Note:

- Closing stock £27,000
- Depreciate plant and machinery 10%
- Debenture interest is due
- Rent and rates due £1,000
- Director's fees prepaid £2,000
- Tax due £4,000
- Proposed ordinary dividends 10%
- Transfer to general reserve £4,000

**Required:**

- a) Income statement.  
b) Balance sheet.

**(10 marks)****(10 marks)****QUESTION 4**

You are given the following cashbook for Hamza, a sole trader and a bank statement.

	£		£
Opening balance	12,000	Dhumma	5,000
Alif	4,000	Fataha	3,000
Bei	2,000	Kasira	2,000
Tei	3,000	Shadda	7,000
Jim	<u>5,000</u>	Closing balance	<u>9,000</u>
	<b><u>26,000</u></b>		<b><u>26,000</u></b>

**BANK STATEMENT**

	Dr. £	Cr. £	BALANCE £
Opening balance			12,000
Alif		4,000	16,000
Tei		3,000	19,000
Bank charges	1,000		18,000
Standing order	9,000		9,000
Credit transfer		2,000	11,000
Dhumma	5,000		6,000
Shadda	7,000		(1,000) debit
Direct debit	6,000		(7,000) debit
Dividend		15,000	8,000

**Required:**

- a) Updated cashbook.  
b) Bank reconciliation statement.  
c) Why is a bank reconciliation statement necessary to be prepared?

**(7 marks)****(7 marks)****(6 marks)**

## QUESTION 5

Write brief explanatory notes on:

- a) Liquidity ratio. **(4 marks)**
- b) Overtrading. **(4 marks)**
- c) Working capital and capital employed. **(4 marks)**
- d) Imprest system of petty cash. **(4 marks)**
- e) Books of original (prime) entry. **(4 marks)**