



**TECHNICAL UNIVERSITY OF MOMBASA**  
***SCHOOL OF BUSINESS***  
**DEPARTMENT OF ACCOUNTING AND FINANCE**

**BACHELOR OF COMMERCE I**  
**BACHELOR OF BUSINESS ADMINISTRATION I**  
**BACHELOR OF SCIENCE IN DEVELOPMENT STUDIES 1**

**BAC 4101: INTRODUCTION TO ACCOUNTING I**

**END OF SEMESTER EXAMINATIONS**

**SERIES: APRIL 2016**

**TIME: 2 HOURS**

**INSTRUCTIONS:**

- This paper consists of Sections **A** and **B**.
- Section **A** is Compulsory. Answer any **TWO** questions in Section **B**.
- Mobile phones are not allowed into examination room.
- Cheating leads to disqualification.
- This paper consists of Five printed pages.*

### QUESTION ONE

The following information was provided concerning the business of Fondo for the month of February 2016:

- February 1 Started business with shs 110,000 in the bank and shs 16,000 in cash.
- February 2 Bought goods on credit: J. Bingo shs 8,300, D. Martina shs 6,100, P. Lotoshs 5,900.
- February 3 Bought goods for cash shs 3,700.
- February 4 Paid rent in cash shs 750.
- February 5 Bought stationery paying by cheques shs 620.
- February 6 Sold goods on credit: D. Twaga shs 3,700, B. Hogan shs 2,900 and K. Flacha Shs. 4,000 .
- February 7 Paid wages in cash shs 1,600.
- February 10 We returned goods to D. Martina shs 1,950.
- February 11 Paid rent in cash shs 750.
- February 13 B. Hogan returned goods to us shs 350.
- February 15 Sold goods on credit to: T Lawishs 2,050, F. Shapa Shs 2,800, G. Raoshs 4,260.
- February 16 Paid business rates by cheques shs 9,700.
- February 18 Paid insurance by cash shs 2,800.
- February 19 Paid rent in cheques shs 750.
- February 20 Bought van on credit from B. Blackshs 61,000.
- February 21 Paid motor expenses by cash shs 1,700.
- February 24 Paid wages in cash shs 1,700.
- February 24 Flacha paid part of his account shs 2,500 cheque.
- February 28 Received refund of business rates shs 450 by cheque.
- February 28 Paid by cheque: J Bingo shs 8,300, D. Martina shs 4,150.

**Required:** Enter the above transactions in the ledger of Fondo and extract a trial balance as at 31<sup>st</sup> February, 2016 (30 marks)

### QUESTION TWO

The following transactions are in respect of credit purchases and credit sales as recorded by Issa Mambo, a sugar merchant, during the month of October 2002.

- October 2: Bought 125 bags of sugar at sh. 3,200 each from Miwa Sugar Ltd.
- 4: Sold 80 bags of sugar at sh. 5,300 each to Salim Brothers.
- 5: Bought old furniture at sh. 7,000 from Mbao Carpenters on credit.
- 9: Returned 20 bags of sugar at their original cost to Miwa Sugar Ltd.
- 14: Bought 30 bags of sugar at sh. 3,000 from Hamisi Sugar Ltd.
- 15: Sold a motor van for sh. 250,000 to Ujuzi Girls School on credit.
- 18: Sold 15 bags of sugar at sh. 5,000 each to Wote Enterprises.
- 21: Accepted back 25 bags of sugar from Salim Brothers at their original cost.
- 23: Bought 35 bags of sugar at sh. 3,100 each from Hamisi Sugar Ltd.
- 24: Sold 20 empty bags at sh. 350 each to Dafala Enterprises on credit.
- 28: Sold 100 bags of sugar at sh. 5,500 each to Wote Enterprises.

**Required:**

- a) The necessary entries in subsidiary journals (including journal proper) to record the above transactions.
- b) The relevant ledger accounts to record the above transactions. **[20 marks]**

**QUESTION THREE**

The following information was extracted from the books of Tajiri Traders for the year ended 31 October 2014.

	Dr. Sh.'000'	Cr. sh.'000'
Purchases and sales	11,430	20,985
Inventory 1 Nov. 2014	2,580	
Capital 1 Nov. 2014	3,600	
Bank	2,175	
Cash in hand	45	
Discounts	720	465
Returns	405	285
Carriage outwards	1,080	
Rent and Insurance	870	
Allowances for bad and doubtful debts		330
Fixtures and fittings	600	
Delivery van	1,050	
Accounts receivable/payable	5,955	3030
Drawings	1,440	
Wages and salaries	4,470	
General office expenses	<u>225</u>	
	<u>30,780</u>	<u>30,780</u>

Additional information as at 31 October 2015.

- (i) Inventory sh.2,145,000
- (ii) Wages and salaries accrued sh.105,000
- (iii) Office expenses owing sh.10,000
- (iv) Rent prepaid sh.90,000
- (v) Increase the provision for bad and doubtful debts bysh.330,000 to sh.405,000
- (vi) Provide for depreciation as follows:  
Fixture and fittings sh.60,000  
Delivery van sh.150,000.

Prepare for year ended 31 October 2015.

- (a) Income statement
- (b) Statement of financial position as at that date.

( 20 Marks)

#### QUESTION FOUR

(a) The cash book of Kweli Ltd. Showed a debit balance of sh. 42,000 while the bank statement showed a credit balance of sh. 21,000 on 30 September 2002. The following discrepancies were discovered.

- (i) A standing order of sh.23, 600 had not been entered in the cashbook.
- (ii) A direct deposit of sh. 7,600 was not recorded in the cash book.
- (iii) A cheque of sh. 4,400 deposited in the bank was later dishonoured.
- (iv) A cheque of sh. 10,400 deposited on 29 September 2002 was not credited by the bank until 2 October 2002.
- (v) Bank charges amounted to sh.400.
- (vi) A cheque of sh. 10,200 was not presented for payment by a creditor.

Required:

- (i) Updated cash book
- (ii) Bank reconciliation statement as at 30 September 2002. **(10 Marks)**

(b) Discuss any FIVE users of accounting information giving the information need of each of them. **(10 Marks)**

#### QUESTION FIVE

(a) The bookkeeper of Taino Ltd prepared a trial balance which failed to agree. After thorough examination, the following errors were discovered.

- i) Payment for traveling expenses of Sh. 60 by cash had not been recorded
- ii) The sales day book had been overcast by Sh. 4,000
- iii) The purchases journal had been undercast by Sh. 2,300
- iv) Bank charges of Sh. 600 had not been recorded in the cash book
- v) A credit sale of Sh. 200,000 to Onyango was credited in Anyango's account
- vi) A loan of Sh. 250,000 had been advanced to Mr. Kubwa, one of the Company's directors. The only entry made was on the debit side of Mr. Kubwa's loan account.

#### Prepare

General journal to correct the above errors

Suspense account showing the balance brought forward

(10 Marks)

(b) Define the following terms as used in accounting:

- (i) Asset
- (ii) Expenses
- (iii) Capital
- (iv) Income
- (v) Liabilities

(10 Marks)