

TECHINICAL UNIVERSITY OF MOMBASA
DEPARTMENT OF COMPUTING
BAC 4150:INTRODUCTION TO ACCOUNTING

END OF SEMESTER EXAMINATION

SERIES: MAY 2016

TIME: 2 HOURS

INSTRUCTION: ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS.

Question 1

- (a) State and explain the objectives of accounting(14 marks)
- (b) Discuss the stages of the accounting cycle and draw a diagram showing the stages of the accounting cycle. (12 marks)
- (c) What is the definition of book-keeping as per **R.N. Carter** (2 marks)
- (d) Elaborate the discussion of accounting as per **American Institute of Certified Public Accountants (AICPA)** (2marks)

Question 2

P Boones

From the following trial balance draw up a trading and profit and loss account for the year ended 30 September 2002, and a balance sheet as at that date.(20 marks)

	Dr	Cr
	£	£
Stock 1 October 19x8	23,680	
Carriage outwards	2,000	
Carriage inwards		3,100
Returns inwards		2,050

Returns outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures 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>

QUESTION THREE

- a) Explain the relevance of ratio analysis to a business enterprise. (8 marks)
- b) Explain why the following ratios are necessary for benchmarking:
- (i) Current ratio (2 marks)
 - (ii) Net profit margin (2 marks)
 - (iii) Stock turnover (2 marks)
- c) Referring to appropriate industry scenarios examples, briefly explain of the following terms:
- (i) Accounting concepts (2 marks)
 - (ii) Accounting policies (2 marks)
 - (iii) Accounting standards (2 marks)

QUESTION FOUR

- (a) There are factors that should be taken into account by a businessman in making the choice between financing by short-term and long-term sources. State and explain the factors(10 marks)
- (b) Explain what is convertible bond and Enumerate five advantages of convertible bonds from the point of view of the borrower. (10 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Define agency problem from the context of a public limited company and briefly explain how this arises. (6 marks)
- (b) Highlight the various measures that would minimize agency problems between the owners and the management. (6 marks)

- (c) Discuss three factors that may be responsible for the slowing down the growth in the number of companies seeking listing at the Nairobi Stock Exchange or Stock Exchange in your country.
(8 marks)

(Total: 20 marks)