



TECHNICAL UNIVERSITY OF MOMBASA

FACULTY OF ENGINEERING & TECHNOLOGY

DEPARTMENT OF ELECTRICAL & ELECTRONIC ENGINEERING

UNIVERSITY EXAMINATION FOR THE DEGREE IN

BACHELOR OF SCIENCE IN ELECTRICAL ENGINEERING

HRD 2115: ACCOUNTING & FINANCE

SEMESTER EXAMINATION

END OF SEMESTER EXAMINATIONS

SERIES: MAY 2016

TIME: 2 HOURS

Instructions to candidates:

This paper consists of FIVE questions

Answer question ONE (compulsory) and any other TWO questions



SGS ISO 9001:2008 Certified

Question 1

- a) Discuss the accounting concepts and accounting policies (10 marks)
- b) The following trial balance was extracted from the books of Birdie Wholesalers as at 31st December 2015.

	Kshs.	Kshs.
Capital		1,878,950
Drawings	270,000	
Trade receivable/Trade payables	405,000	135,000
purchases / Sales	942,480	1,930,680
returns inwards/returns outward	32,490	49,230
Wages and salaries	423,000	
Discounts allowed / discounts received	22,320	38,340
Freehold premises (cost)	687,150	
office Equipment(cost)	136,800	
Motor vehicle (cost)	344,000	
Provision for depreciation(1st January 2015)		
office Equipment		26,100
motor vehicle		72,000
sundry expense	32,040	
Bank balance	232,470	
Cash balance	10,800	
electricity	42,480	
Rent and rates	22,320	
Insurance	5,400	
Motor vehicle expense	34,740	
Inventory (1st January 2015)	570,060	
15% Bank loan		90,000
Loan interest paid	6,750	
	4,220,300	4,220,300

Additional information:

1. Inventory as at 31st December 2015 was value at Kshs. 558,900.
2. Rates and insurance paid in advance as at 31st December 2015 was Kshs 5,760 and Kshs 1,080 respectively
3. Depreciation is to be provided on cost as follows

Office equipment	10%
Motor Vehicle	20%

Required

- a) Income statement for the year ended 31st December 2015 (12 marks)
b) Statement of Financial position as at 31st December 2015 (8 Marks)

Question 2

- a) Working capital can be classified or understood with the help of the following two important Concepts : Gross Working Capital and Net Working Capital: discuss (4 mark)
- b) What are the Component of Working Capital? (6 marks)
- c) A business concern must maintain a sound Working Capital position to improve the efficiency of business operation and efficient management of finance. Both excessive and inadequate Working Capital lead to some problems in the business concern. Discuss the Causes and effects of excessive and inadequate working capital (10 marks)

Question 3

- a) What is the purpose of ratio analysis (4 marks)
b) The following are the financial statements of for XYZ Co. for the year 2015.

XYZ	
Statement of Financial position as at 31st December 2015	
Non-current Assets	
property plant and equipment	1,050,000
Goodwill	140,000
Total Non-current Assets	1,190,000
current Assets	
Cash	70,000

debtors	350,000
stock	490,000
Total current Assets	910,000
Total Assets	2,100,000
capital and Liabilities	
Preference share capital	280,000
Equity Share Capital	140,000
Reserves	280,000
Total capital and reserves	700,000
Current Liabilities	
Creditors	280,000
Bills payable	140,000
Outstanding Expense	40,000
provision for tax	100,000
Total current liabilities	560,000
Non-current Liabilities	
Long-term debt	840,000
Total Non-current Liabilities	840,000
total Capital reserves and liabilities	2,100,000

XYZ		
Income statement for the year ended 31 st December 2015		
Sales:		
cash		280,000
Credit		1,120,000
Less		
Cost of goods sales	840,000	
selling distribution and general expenses	140,000	
Depreciation	98,000	
Interest on long-term debt	<u>42,000</u>	1,120,000
profit before Taxes		280,000
Less Taxes		140,000
profit after Taxes		140,000
less preference dividends		17,000
Net profit for ordinary shareholders		123,000
Add : reserve as at 1st January 2015		182,000
		305,000
less dividend paid to Equity shareholders		25,000
Reserve at 31 December 2015		280,000



Required

Calculate the following ratios for XYZ Co. for the year 2015:

Current Ratio	(2 marks)
Acid –test ratio	(2 marks)
Debtors' turnover	(2 marks)
Stock turnover	(2 marks)
Debt to total capital ratio	(2 marks)
Net profit margin	(2 marks)
Return on equity	(2 marks)
Interest coverage ratio	(2 marks)

Question 4

- State the various users of accounting information (5 marks)
- qualities of good accounting information (5 marks)
- The accounting records of John Smith as at 31st march 2016 had the following balances.

Balance as per bank statement Kshs. 42,970

Balance as per cash book Kshs. 20,300

Upon further scrutiny by the accountant, the following discrepancies were noted.

- A cheque of sh.9, 280 received from a customer in respect of a sales invoice had been recorded in the cash book as sh. 9,820.
- Bank interest received amounting to sh. 750 had been recorded in the cash book as a bank payment of sh.750.
- An electronic bank transfer for wages amounting to sh. 16,450 was made and recorded in the cash book on 31st march 2016. The payment did not appear on the bank statement until 3rd April 2016.
- A standing order for sh.1, 200 in respect to electricity charges appeared on the bank statement on 15th march 2016 but was not recorded in the cash book.
- Cheques numbers 900701 and 900702 for Kshs 13,270 and ksh.890 respectively had been recorded in the cash book in March 2016 but were not presented to the bank for payment until 1st April 2016.

Required:

Statement of adjusted cash book as at 31 march 2016 (5 marks)

Bank reconciliation statement as at 31 march 2016 (5 marks)

Question 5

- a) Discuss three objective of accounting (6 marks)
- b) Explain four advantages of computerized accounting (8 marks)
- c) Highlight six operational features of small and medium enterprises (SME) (6 marks)