

**TECHNICAL UNIVERSITY OF MOMBASA**

*School of Business*

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**DIPLOMA IN ACCOUNTANCY**

**DIPLOMA IN BUSINESS ADMINISTRATION**

**DIPLOMA IN BUSINESS MANAGEMENT**

**DIPLOMA IN PROCUREMENT AND MATERIAL MANAGEMENT**

**DIPLOMA IN SALES AND MARKETING**

**DIPLOMA IN HUMAN RESOURCE MANAGEMENT**

**DIPLOMA IN FRONT OFFICE OPERATION**

**BAC 2104: FINANCIAL ACCOUNTING**

**SERIES: APRIL 2016**

**TIME: 2 HOURS**

**INSTRUCTIONS**

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

## SECTION A

1 a) financial information is used to support economic decision making. Explain this statement highlighting users of this statements (10 marks)

b) Write up the following transactions in the books of L Thompsons: (15 marks)

2008

March 1 Started business with cash ksh. 1,500

- " 2 Bought goods on credit from A Hanson ksh. 296
- „ 3 Paid rent by cash ksh. 28
- " 4 Paid ksh. 1000 of the cash of the business into the bank account.
- " 5 Sold goods on credit to E Linton ksh. 54
- „ 7 Bought stationery ksh. 15 paying by cheque
- „ 11 Cash sales ksh 49
- „ 14 Goods returned by us to A Hanson ksh 17
- „ 17 Sold goods on credit to S Morgan ksh 18
- „ 20 Paid for repairs to the building by cash ksh 18.
- „ 22 E Linton returned goods to us ksh 14.
- „ 27 Paid Hanson by cheque ksh 279.
- „ 28 Cash purchases ksh 125.
- „ 29 bought a Van paying by cheque ksh 395.
- „ 30 Paid motor expenses in cash ksh 15.
- „ 31 Bought fixtures ksh 120 on credit from A Webster.

C) There are several types of errors that will NOT affect the balancing of trial balance. Mention 5 such errors (5 marks)

## SECTION B

### QUESTION TWO

From the following trial balance of R Graham, draw up a trading and profit and loss account for the year ended 30 sept 2009, and a balance sheet as at that time. (20 marks)

	Dr	Cr
Stock 1 October 2008	2,368	
Carriage outwards	200	
Carriage inwards	310	
Returns inwards	205	
Returns outwards		322
Purchases	11,874	
Sales		18,600
Salaries & wages	3,862	
Rent	304	
Insurance	78	
Motor expenses	664	
Office expenses	216	
Lightning & heating expenses	166	
General expenses	314	
Premises	5000	
Motor vehicles	1,800	
Fixtures & fittings	350	
Debtors	3,896	
Creditors		1,731
Cash at bank	482	
Drawings	1,200	

Capital		12,636
	<u>33,289</u>	<u>33,289</u>

Stock at 30 September 2009 was shs. 2,946.

### QUESTION THREE

- a) Enter the following transactions of a computer repair shop in the accounts and extract a trial balance as at 31 March 2006. ( 15 marks)

2006

- March 1 started business with sh. 800 in the bank
- „ 2 bought goods on credit from the following persons: K Henriques sh. 76; M Hyatt sh. 27; T Braham sh. 56
- „ 5 cash sales sh. 56
- „ 6 paid wages in cash sh. 14
- „ 7 sold goods on credit to: H Elliott sh. 35; L Lane sh. 42; J Carlton sh. 72.
- „ 9 bought goods for cash sh. 46
- „ 10 bought goods on credit from: M Hyatt sh. 57; T Braham sh. 98.
- „ 12 paid wages in cash sh. 14
- „ 13 sold goods on credit to: L Lane sh. 32; J Carlton sh. 23
- „ 15 bought shop fixtures on credit from Betta Ltd sh. 50
- „ 17 paid M Hyatt by cheque sh. 84
- „ 18 we returned goods to T Braham sh. 20
- „ 21 paid Betta Ltd a cheque for sh. 50
- „ 24 J Carlton paid us his account by cheque sh. 95
- „ 27 we returned goods to K Henriques sh. 24
- „ 30 J King lent us sh. 60 by cash
- „ 31 bought a van paying by cheque sh. 400

- b) Highlight 5 types of books of original entry (journals). (5 marks)

### QUESTION FOUR

- a) Explain fundamental accounting concepts. (15 marks)
- b) Explain the term 'materiality' as it is used in the accounting. ( 5 marks)

#### QUESTION FIVE

A three –column cash book for a wine wholesaler is to be written up from the following details balance off, and the relevant discounts in the general ledger shown. (20 marks)

2008

- March 1 Balances brought forward : cash sh. 230; bank sh.4,756
- „ 2 the following paid their accounts by cheque, in each case deducting 5% cash discounts : R Burton sh. 140; E Taylor sh. 220; R Harris sh. 300 ( all amounts are pre discount)
- „ 4 paid rent by cheque sh. 120
- „ 6 J Cotton lent us sh. 1,000 paying by cheque
- „ 8 we paid the following accounts by cheque in each case deducting 2.5% cash discount : n Black sh. 360; P Towers sh. 480; C Rowse sh. 800 ( all amounts are pre-discount)
- „ 10 paid motor expenses in cash sh. 44
- „ 12 H Hankins pays his account of sh. 77, by cheque sh. 74 deducting sh 3 cash discount
- „ 15 paid wages in cash sh. 160
- „ 18 The following paid their accounts by cheque in neach case deducting 5% cash discount: C Winston sh. 260; R Wilson & son sh. 340; H Winter sh. 460. ( all amounts are pre- discount)
- „ 21 cash withdrawn from the bank sh. 350 for business use.
- „ 24 cash withdrawn sh. 120
- „ 25 paid T Briers his account of sh. 140 by cash sh. 133, having deducted sh. 7 cash discount.
- „ 29 bought fixtures paying by cheque sh. 650
- „ 31 received commission by cheque sh. 88