



**TECHNICAL UNIVERSITY OF MOMBASA**

**FACULTY OF ENGINEERING**

**DEPARTMENT OF COMPUTING AND INFORMATION TECHNOLOGY**

**DIPLOMA IN COMPUTER TECHNOLOGY**

**BAC 2150: INTRODUCTION TO FINANCIAL ACCOUNTING**

**END OF SEMESTER EXAMINATIONS**

**SERIES: JANUARY-MAY 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 the examination room.
- Cheating leads to disqualification.
- This paper consists of six printed pages.

## QUESTION 1

- (a) Explain the nature of accounting and the accounting equation (10 marks)
- (b) George is a sole proprietorship trader. On 30 June 2015 the following balances have been represented the closing books

	£
Sales	47,600.00
Purchases	22,850.00
Office expenses	1,900.00
Insurance	700.00
Wages	7,900.00
Rates	2,800.00
Heating and Lighting	1,200.00
Telephone	650.00
Discounts allowed	1,150.00
Opening stock	500.00
Returns inwards	200.00
Returns outwards	150.00
Premises	40,000.00
Plant and Machinery	5,000.00
Motor Vehicles	12,000.00
Debtors	12,500.00
Bank balance	7,800.00
Creditors	3,400.00
Loan-long term loan	10,000.00
Capital	60,000.00
Drawings for the year	4,000.00
Closing stock	550.00

### Required:

Trial balance from the following closing balances. :( 20 marks)

## SECTION B

### QUESTION 2

- (a) Briefly explain the following accounting terminologies and their application in accounting (20 marks)
- Business Liabilities
  - Personal Drawings
  - Debtors from sales
  - Creditors from purchases
  - Purchases
  - Purchases return or return outward
  - Sales

- viii. Sales return or return inward
- ix. Stock
- x. Revenue

### QUESTION 3

#### BOOKS OF AGY ENTERPRISES

The following are transactions relating to the month of May 2014 .Develop the journal entries necessary to build the accounting system from the transactions:

(20 marks)

- 2014 May 1 Bought a motor vehicle on credit from Motors Ltd for £6,790.
- 2014 May 3 A debt of £34 owing from N Smart was written off as a bad debt.
- 2014 May 8 Furniture bought by us for £490 was returned to the supplier Wood Offices, as it was unsuitable. Full allowance will be given us.
- 2014 May 12 we are owed £150 by W Hayes. He is declared bankrupt and we received £39 in full settlement of the debt.
- 2014 May 14 we take £45 goods out of the business stock without paying for them.
- 2014 May 28 Some time ago we paid an insurance bill thinking that it was all in respect of the business. We now discover that £76 of the amount paid was in fact insurance of our private house.
- 2014 May 28 Bought Machinery £980 on credit from Xerox Machines Ltd.

### QUESTION FOUR

Explain the type of accounts/business transactions falling under the personal accounts, real accounts and nominal accounts.

(20 marks)

### QUESTION FIVE

- (a) Briefly explain the three main forms of agency relationship in a firm. (6 marks)
- (b) (i) Discuss financial intermediation? (3 marks)  
(ii) Populate any five services that financial intermediaries provide. (5 marks)
- (c) (iii) Differentiate between operating lease and finance lease (6 marks)

**END**