



**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**

**2 HOURS**

**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) Explain the following accounting concepts

- i. Going Concern concept. ( 2 marks )
- ii. Accrual Concept. ( 2 marks)
- iii. Materiality Concept. ( 2 marks)

b) On 1<sup>st</sup> march 2016, Rita Roy started a groceries shop with a starting capital of Kshs 82,200 comprising Kshs 31,400 cash in hand ND KSHS 50,800 cash at bank. The following transactions took place in the month of March 2016.

2 March bought goods for cash Kshs 8,200.

6 March purchased goods on credit from Jakaya Enterprises for Kshs 11,600.

7 March sold goods on credit to Odero and Sons at Kshs 17,800.

10 March Withdrew Kshs 1,000 in cash for private use.

13 March paid Kshs 10,000 in cash to Jakaya Enterprises in full settlement of their account.

14 March sold goods on credit to Eric at Kshs 12,800.

15 March received Kshs 8,000 in cash from Eric in part settlement of his account

17 March goods worth Kshs 800 were returned by Eric.

21 March purchased goods on credit at Kshs 17,400 from Mavoko Ltd.

24 March Paid Kshs 12,000 to Mavoko ltd. By cheque. Discount allowed was Kshs. 600.

25 March purchased furniture on credit from Majani Furniture Mart. For Kshs 16,000

28 March goods worth kshs.1, 200 were returned to Mavoko ltd

29 March paid wages to a shop assistant in cash amounting to Kshs. 3,600.

30 March made cash sales of Kshs, 43,600 and banked kshs.40, 000.

31 March received in cash Kshs 11,800 from Odero and Sons.

Required

- i. Ledger accounts to record the above transactions ( 17 marks )
- ii. Trail balance as at 31 march 2016. (7 marks)

**Question 2**

Rango Ltd has identified two projects which have the following cash flows:

	<b>Project A</b>	<b>Project B</b>
year	Cash Flows	
0	(31,000)	(31,000)
1	10,000	20,000
2	20,000	10,000
3	10,000	5,000
4	10,000	3,000
5	5,000	2,000

Compute the following

- a) Payback period ( 4 marks)
- b) Net present value at 15% cost of capital (6 marks )
- c) Suggest which project to be accepted in terms of payback and NPV (2 marks)
- d) Discuss the merits and demerits of pay-back period and Net present value .( 8 marks)

**Note:** The following are

the

Year	1	2	3	4	5
Factor	0.870	0.756	0.658	0.572	0.497

present value factors @  
15% p.a.

### Question 3

- a) Sources of finance mean the ways for mobilizing various terms of finance to the industrial Concern. Discuss the long term and short term source of finance. (8 marks)
- b) Discuss the features of preference shares and ordinary shares (8 marks)
- c) A company's current price of shares is shs. 90 and the expected dividend per share next year is Kshs 4.50. If the dividends are expected to grow at a constant rate of 8%. What is the shareholders required rate of return? (4 marks)

### Question 4

- a) Define financial analysis and discuss the users of financial analysis (6 marks)
- b) Express and Kakuzi are listed on the Nairobi stock exchange. An analyst conducted a study to find out how the interrelationship of the return of the two stocks as per table below.

State of Nature	Probability	Returns	
		Express	Kakuzi
Excellent	0.15	20	15
Good	0.15	15	12
Normal	0.50	12	9
Poor	0.20	-3	-1

### Required

- I. The required return of each stock (6marks)
- II. The standard deviation of each stock (8 marks)



### Question 5

- a) Describe the benefits of preparing a bank reconciliation statement on a monthly basis (6 marks).
- b) The cash book of Wananchi Ltd for the month of March 2016 was as follows

Cash book						
march		Kshs.	march		Chq No.	Kshs.
1	Balance brought forward	271,940	3	Dime Ltd.	000315	25,080
1	Thames Ltd. Chq. deposit	53,400	4	Seven Co.	000316	31,720
1	Dove LTD .chq. deposit	62,850	8	Clyde Co.	000317	121,860
13	Vale ltd. Chq. deposit	1,793,480	9	rubble merchants	000318	1,374,290
20	Cold Ltd. Chq. deposit	2,404,370	13	See Associates	000319	10,350
			20	Don Engineering	000320	642,130
			24	Mombasa water	direct debit	32,000
			26	Axel Decorators	000321	90,440
			27	County Government	standing order	123,570
			28	salaries	Transfer	940,600
			30	Y and Sons Ltd.	000322	4,300
			31	balance c/f		1,189,700
		<b>4,586,040</b>				<b>4,586,040</b>
1-Apr	Balance brought forward	1,189,700				

On 1<sup>st</sup> April 2016, Wananchi Ltd received their bank statement for the month of March 2016 as shown below.

statement of account with NBK bank				
Name : Wananchi Ltd: Current account				
march	Description	Debit	Credit	Balance
1	balance B/F			271,940
2	000315	25,080		246,860
5	Direct Debit insurance	26,260		220,600
8	Chq. deposit		1,793,480	2,014,080
12	000317	121,860		1,892,220
13	000318	1,374,290		517,930



13	000316	31,720		486,210
15	Chq. deposit		2,404,370	2,890,580
16	direct debit	32,000		2,858,580
20	000319	10,350		2,848,230
22	standing order	123,570		2,724,660
23	Transfer	940,600		1,784,060
26	interest on loan account	11,190		1,772,870
28	Bank charges	7,370		1,765,500
29	000320	642,130		1,123,370

### Required

- i. Adjusted cash book as at 31<sup>st</sup> March 2016 ( 8 marks )
- ii. Bank reconciliation statement as at 31 march 2016. ( 6 marks )