



# TECHNICAL UNIVERSITY OF MOMBASA

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SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

**UNIVERSITY EXAMINATION FOR:**

BACHELORS OF STATISTICS AND COMPUTER SCIENCE

BACHELOR OF MATHEMATICS AND COMPUTER SCIENCE

BACHELOR OF TECHNOLOGY IN APPLIED PHYSICS

BACHELOR OF TECHNOLOGY IN RENEWABLE ENERGY

BAC 4350: ACCOUNTS AND FINANCE

END OF SEMESTER EXAMINATION

**SERIES: AUGUST 2016**

**TIME: 2 HOURS**

**DATE: DECEMBER 2016**

## Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

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

**Do not write on the question paper.**

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## **Question ONE**

- (a) What do you understand by the nature of accounting and the accounting equation (10 marks)
- (b) Explain the eight stages of the accounting cycle and draw a diagram showing the stages of the accounting cycle. (12 marks)
- (c) Define book-keeping according to **R.N. Carter** (2 marks)
- (d) Discuss the objectives of accounting (6 marks)

## **Question TWO**

Omar Lewa is a sole trader. On 31<sup>st</sup> December 2015 the following balances have been represented the closing books

	Ksh
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:**

Develop a trial balance from the following closing balances. :( 20 marks)

**Question THREE**

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**Babu Kubwa Co.Ltd**

The following are transactions relating to the month of September 2016 .Develop the journal entries necessary to build the accounting system from the transactions:

(20 marks)

- 2016 Sep 1 Bought a motor vehicle on credit from Motors Ltd for Ksh 6,790.
- 2016 Sep 3 A debt of Ksh 34 owing from N Smart was written off as a bad debt.
- 2016 Sep 8 Furniture bought by us for Ksh 490 was returned to the supplier Wood Offices, as it was unsuitable. Full refund was given back to us.
- 2016 Sep 12 we are owed Ksh 150 by W Hayes. He is declared bankrupt and we received Ksh 39 in full settlement of the debt.
- 2016 Sep 14 we take Ksh 45 goods out of the business stock without paying for them.
- 2016 Sep 28 Some time ago we paid an insurance bill thinking that it was all in respect of the business. We now discover that Ksh 76 of the amount paid was in fact insurance of our private house.
- 2016 Sep 28 Bought Machinery Ksh 980 on credit from Xerox Machines Ltd.

**Question FOUR**

- a) Explain the importance of ratio analysis to a business enterprise. (8 marks)
- b) Identify with reasons, one party who may be interested in each of the following ratios:

- |       |                   |           |
|-------|-------------------|-----------|
| (i)   | Current ratio     | (2 marks) |
| (ii)  | Net profit margin | (2 marks) |
| (iii) | Stock turnover    | (2 marks) |
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- |       |   |           |
|-------|---|-----------|
| c)    | Citing suitable examples, briefly explain of the following terms: |           |
| (i)   | Accounting concepts   | (2 marks) |
| (ii)  | Accounting policies   | (2 marks) |
| (iii) | Accounting standards  | (2 marks) |

## Question FIVE

The following data relates to transactions of Chilibasi Co. Ltd as at 31<sup>st</sup> April 2014

The following transactions took place during the month of May:

2014

May	1	Started firm with capital in cash of Ksh 250.
“	2	Bought goods on credit from the following persons: R Kelly Ksh 54; Pcombs Ksh 87; J Role Ksh 25; D Mobile Ksh 76; I. Sims Ksh 64.
“	4	Sold goods on credit to: C Blanes Ksh 43; B Long Ksh 62; F Skin Ksh176.
“	6	Paid rent by cash Ksh 12.
“	9	C Blanes paid us his account by cheque Ksh 43.
“	10	F Skin paid us Ksh 150 by cheque.
“	12	We paid the following by cheque: J Role Ksh 25; R Kelley Ksh54.
“	15	Paid carriage by cash Ksh 23.
“	18	Bought goods on credit from P Combs Ksh 43; Mobile Ksh110.
“	21	Sold goods on credit to B Long Ksh67.
“	31	Paid rent by cheque Ksh 18.

Required:

- Provide ledgers for the respective accounts and transactions.(10 marks)
- State and explain the external and internal users of accounting information and how they use the accounting information(10 marks)