



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

CERTIFICATE IN BUSINESS MANAGEMENT

BAC 1101: BOOK KEEPING

END OF SEMESTER EXAMINATION

SERIES:AUGUST2019

TIME:2HOURS

DATE:Pick DateAug2019

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.

Question ONE

- a) Brian Barmouth is a sole trader. At 30 June 2018 the following balances have been extracted from his 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:

Construct a trial balance, from the above list of balances.

(8 marks)

- b) Skates drew up the following financial statement as at 30 September 2017.

	Sh	sh
Capital		842,000
Drawings	311,500	
Cash at bank	29,500	
Cash in hand	1,230,000	
Debtors	2,391,000	
Creditors		937,000
Stock 30 September 2016	410,000	
Motor van	625,000	
Office equipment		
Sales		1,309,000
Purchases	9,210,000	
Returns inwards	55,000	
Carriage inwards	21,500	
Returns outwards		30,700
Carriage outwards	30,900	
Motor expenses	163,000	
Rent	297,000	

Telephone charges	40,500	
Wages and salaries	1,281,000	
Insurance	49,200	
Office expenses	137,700	
Sundry expenses	28,400	
	<u>17,153,200</u>	<u>17,153,200</u>

Required:

- i) Trading and profit and loss account for the year to end 30 September 2017 (14 marks)
- ii) Statement of financial position as at that date. (8 marks)

(Total 30 marks)

QUESTION TWO

(a) Explain the term “bank reconciliation” and state the reasons for its preparation. **(6 marks)**

(b) Ssemakula, a sole trader received his bank statement for the month of June 2017. At that date the bank balance was Sh. 706,500 whereas his cash book balance was Sh.2,366,500. His accountant investigated the matter and discovered the following discrepancies:

1. Bank charges of Sh.3, 000 had not been entered in the cashbook.
2. Cheques drawn by Ssemakula totaling Sh.22, 500 had not yet been presented to the bank.
3. He had not entered receipts of Sh.26, 500 in his cashbook.
4. The bank had not credited Mr Ssemakula with receipts of Sh.98, 500 paid into the bank on 30 June 2017.
5. Standing order payments amounting to Sh.62, 000 had not been entered into the cashbook.
6. In the cashbook Ssemakula had entered a payment of Sh.74, 900 as Sh.79, 400.
7. A cheque for Sh.15, 000 from a debtor had been returned by the bank marked “refer to drawer” but had not been written back into the cashbook.
8. Ssemakula had brought forward the opening cash balance of Sh.329, 250 as a debit balance instead of a credit balance.
9. An old cheque payment amounting to Sh.44, 000 had been written back in the cashbook but the bank had already honored it.
10. Some of Ssemakula’s customers had agreed to settle their debts by paying directly into his bank account. Unfortunately, the bank had credited some deposits amounting to Sh.832, 500 to another customer’s account. However acting on information from his customers Ssemakula had actually entered the expected receipts from the debtors in is cashbook.

Required:

- i. A statement showing Ssemakula’s adjusted cashbook balance as at 30 June 2017. **(9 marks)**
- ii. A bank reconciliation statement as at 30 June 2017. **(5 marks)**

(Total: 20 Marks)

Question THREE

A company starts in business on 1 January 2014, the financial year end being 31 December.

You are to show:

- a. The plant account.
- b. The provision for depreciation account.
- c. The balance sheet extracts for each of the years 2014, 2015, 2016, 2017.

The machinery bought was:

2014 1 January 1 plant costing £8,000

2015 1 July 2 plant costing £5,000 each

1 October 1 plant costing £6,000

2017 1 April 1 plant costing £2,000

Depreciation is at the rate of 10 per cent per annum, using the straight-line method, plant being depreciated for each proportion of a year.

(Total 20 marks)

Question FOUR

a) 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. (15 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

b) Name any 5 source documents.

(5 marks

(Total 20 marks)

Question FIVE

a) Define the following accounting concepts and for each explain their implication in the preparation of financial statements.

(i) The Going concern concept 4 marks

(ii) Business entity concept 4 marks

(iii) Materiality 4 marks

(iv) Realization 4 marks

(b) Two accounting concepts or conventions could clash or there could be inconsistency between them. Give two examples of such situations and explain how the inconsistency should be resolved.

4 marks
(Total: 20 Marks)