



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF HUMANITIES AND SOCIAL SCIENCES

DEPARTMENT OF HOSPITALITY & TOURISM MANAGEMENT

UNIVERSITY EXAMINATION FOR THE:

DIPLOMA IN TOURISM MANAGEMENT (DTM S18)

BAC 2104: FINANCIAL ACCOUNTING

END OF SEMESTER EXAMINATION

SERIES: AUGUST 2019

TIME: 2 HOURS

DATE: Pick Date Aug 2019

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.

SECTION A (Answer all the questions)

30 POINTS

QUESTION ONE

- a) Name and explain any five errors that do not affect the agreement of the Trial balance. (10 Marks)
- b) List and explain five accounting concepts. (10 Marks)
- c) Explain the concept of double entry. (2 marks)
- d) Explain the following terms: (8 marks)
 - i. Accrued expenses
 - ii. Prepayment income
 - iii. Discount allowed
 - iv. Credit note

SECTION B (Answer only TWO questions)

QUESTION TWO

Mormont started Ice Hotel on May 1, 2018. During the first month of operations, the following transactions occurred: Enter the following transactions in the respective T accounts and balance them off for the month of May 2018. (20 Marks)

2018

- May 1 Started business with £2,000 in the bank.
- “ 2 Purchased goods £175 on credit from M Rooks.
- “ 3 Bought furniture and fittings £150 paying by cheque.
- “ 5 Sold goods for cash £275.
- “ 6 Bought goods on credit £114 from P Scot.
- “ 10 Paid rent by cash £15.
- “ 12 Bought stationery £27, paying in cash.
- “ 18 Goods returned to M Rooks £23.
- “ 21 Let off part of the premises receiving rent by cheque £5.
- “ 23 Sold goods on credit to U Foot for £77.
- “ 24 Bought a motor van paying by cheque £300.
- “ 30 Paid the month's wages by cash £117.
- “ 31 The proprietor took cash for himself £44.

QUESTION THREE

Baelish, a sole trader, records all his cash and bank transactions in a three-column cash book. The transactions for the month of December 2019 were as follows:

2019

- Dec 1 Cash in hand \$540; bank \$6,520 *Cr*
- " 7 Paid Andrew, a supplier, \$450 by cheque in full settlement of the amount owing of \$500.
- " 11 Received \$920 cash from Fanny, a customer, in full settlement of the amount owing of \$1,000.
- " 13 Advised by Jim, a customer, that he had paid \$460 into Johnson's bank account in full settlement of the amount due from him of \$480.

- " 19 Paid rent of \$700 by cheque.
- " 23 Paid Judas, a supplier, \$330 in cash to settle an account of \$340.
- " 29 Paid salaries of \$300 in cash.
- " 31 Withdrew \$200 from the bank for business use.

Required:

Write up a three-column cash book to record the above transactions and Balance the cash book as at 31 December 2019. (20 marks)

QUESTION FOUR

a) Explain the following terms.

- i. Returns outwards (2 Marks)
- ii. Returns inwards (2 Marks)
- iii. Carriage inwards (2 Marks)
- iv. Debit note (2 marks)
- v. Purchase invoice (2 marks)

b) The following trial balance was extracted from the ledgers of Winterfell Traders as at 31 December 2018.

	Dr	Cr
	ksh.	ksh.
Stock 1 January 2018	23,680	
Carriage outwards	2,000	
Carriage inwards	3,100	
Returns inwards	2,050	
Returns outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures and fittings	3,500	
Debtors	38,960	
Creditors		17,310
Cash at bank	4,820	

Drawings	12,000	
Capital		126,360
	<u>332,890</u>	<u>332,890</u>

Required:

Prepare the Trading profit and loss account for Winterfell Traders for the year ended 31 December 2018 given that inventory at 31 December 2018 was ksh. 4,200. (10 marks)

QUESTION FIVE

The objective of accounting is to provide information about the reporting entity's financial performance and financial position that is useful to a wide range of users.

Discuss the internal and external users of accounting information with clear explanation on their specific information needs. (20 Marks)