



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

DIPLOMA IN COMMUNICATION AND INFORMATION TECHNOLOGY

BAC 2150: INTRODUCTION TO 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.

Question ONE

- a What is the difference between Error of Original entry and Error of Principle? (4 marks)
- b A product has a marked price of shs 40000 with a trade discount of shs 10000 and a cash discount of 10%. Ali bought this product on 1st May on credit and settled the account due on 7th May. Show the entries appearing in ledger account of Ali. (4 marks)
- c Pass a journal entry for the following transactions . Identify which ledger account is to be debited and credited;
- i. Bought Land by cheque 40000 (2 marks)
- ii. Goods taken from stock for private use 20000 (2 marks)
- d List four reasons as to why a bank reconciliation statement is prepared. (4 marks)
- e Explain what is meant by going concern as used in interpretation of Financial Statements. (4marks)

f Prepare a **trading account** from the following information

Opening stock	4000
Closing stock	7000
Sales	42000
Purchases	20000
Carriage Inwards	4000
Carriage outwards	8000
Return inwards	2000
Return outwards	5000
Stock drawings	1000
Cash drawings	3000

(10marks)

Question TWO

The total float the petty cashier is required to have at beginning of every week is shs 6000 but on 1st October the following information is given

October 1	Cash balance in hand	700
1	Received reimbursement	?
2	Matatu fare	500
3	Milk for office	400
4	Bus fare	800
	Biro pens	400
5	Sugar and tea	600
6	Matatu fare	600
	Stationer	300
	Milk and bread	400
	Received reimbursement	?

Required;

- Petty Cash with columns for Transport, Office tea and Stationery. Show the cash amounts received as reimbursement on 1st Oct and on 7th Oct. (10 marks)
- Draw a specimen of a **source document** used whenever goods are sold on credit. Show all the relevant data that can be captured from it. (6 marks)
- Explain what is meant by “Prudence” as used in interpretation of Financial Statements. (4 marks)

Question THREE

The following is the Trial balance of Mwana Hizaya for the period ended 31st December;

	DR	CR
	SHS	SHS
Gross profit		70000
Commission received		12000
Bad debts	3000	
Bad debts recovered		8000
Bank	40000	
Stock 31 st Dec 2015	20000	
Rent	7000	
Stationery	1000	
Insurance	9000	
Motor vehicles	60000	
Provision for depreciation vehicles		10000
Debtors	30000	
Creditor		22000
Capital		<u>48000</u>
	<u>170000</u>	<u>170000</u>

Note that Rent due shs 3000, Insurance prepaid shs 2000. Depreciate motor vehicles at 10% of cost.

Required;

- a Income statement (10 marks)
- b Balance sheet (10 marks)

Question FOUR

Write brief explanatory notes on

- a Books of original entry and their respective source documents (7 marks)
- b Uses of the Journal. (6 marks)
- c What is the purpose of control accounts and what are the differences between sales ledger control account and a sales ledger? (7 marks)

Question FIVE

The following transactions relate to a trader for the month of June 2018

June 1	Opening cash debit balance	2000
1	Opening bank debit balance	8000
3	Paid rent by cheque	3000
5	Received three cheques from debtors. All have each been allowed a 5% cash discount. The cheque amounts are Abdalla 1900 ; Ahmad 3800; Arrahmaan 4750	
6	Paid wages in cash	750
8	Cashsales	4000

10	Paid three cheques to the following creditors. Each one has already been allowed a 5% cash discount. The cheque amounts are Abubakar 1900; Omar 4750; Athmaan 7600	
12	Bought a motor lorry by cheque	12000
20	Cashsales	8000
24	Paid cash into bank	11000
24	Paid wages in cash	1250

Required;

- a Three column cashbook (16 marks)
- b Explain the difference between a Trial balance and a Balance Sheet (4 marks)