TECHNICAL UNIVERSITY OF MOMBASA

School of Business
DEPARTMENT OF ACCOUNTING AND FINANCE

UNIVERSITY EXAMINATIONS FOR DEGREE IN BACHELOR OF COMMERCE

BAC 4101: INTRODUCTION TO ACCOUNTING 1

MAIN EXAMINATIONS **SERIES:** AUGUST 2019 **TIME:** 2 HOURS

INSTRUCTIONS:
 Answer Question **ONE** (**Compulsory**) and any other **TWO** questions *This paper consists of Four printed pages*

QUESTION ONE (COMPULSORY)

Mr. Allogant Lubbish opened a small kiosk in Lamu on 1 October 2018. His transactions for the month of October 2018 were as follows:

2018:

1 October: Opened a bank account and deposited Sh. 150,000 and retained Sh. 50,000 in cash.

2 October: Paid rent in cash Sh. 30,000.

3 October: Purchased goods for Sh. 160,000 from Mambo Mengi and Company on credit. 4 October: Sold goods for Sh. 260,000 in cash.

6 October: Banked Sh. 230,000.

9 October: Purchased office furniture for Sh. 150,000 and paid by cheque.

11 October: Purchased goods for Sh. 130,000 from Siasa Drapers and paid half the amount by cheque.

12 October: Sold goods worth Sh. 126,000 on credit to Mzuri Exporters.
              Hired transport for delivery of the goods Sh. 10,000 and paid in cash.

13 October: Mzuri Exporters returned goods worth Sh. 16,000 and were given a credit note for the same.

16 October: Received cheque of Sh. 60,000 from Mzuri Exporters.

20 October: Purchased goods for Sh. 19,000 on credit from B. Onyango.

21 October: Sold goods worth Sh. 15,000 on credit to Binka Boutique.

23 October: Paid Mambo Mengi and Company Sh. 144,000 in full settlement of the amount owed to them by cheque.

24 October: Withdrew Sh. 16,000 from the cash till for personal use.

25 October: Bought goods for Sh. 18,000 and paid by cheque.

27 October: Binka Boutique paid by cheque Sh. 13,500 in full settlement of their debt.
28 October: Paid by cheque Siasa Draper's debt less 10% discount.
31 October: Paid salaries for Sh. 15,000 and water bill for Sh. 1,700 both by cheque.

Required:

(a) A three column cash book.   (7 Marks)
(b) Post the transactions to the ledger   (16 Marks)
(c) Trial balance as at 31 October 2018.   (7 Marks)

QUESTION TWO

The following information was extracted from the books of Tajiri Traders for the year ended 31October 2016.

	Dr. Sh.'000'	Cr. sh.'000'
Purchases and sales	11,430	20,985
Inventory 1 Nov. 2015	2,580	
Capital 1 Nov. 2015		3,600
Bank		1,203
Cash in hand	45	
Discounts	720	465
Returns	405	285
Carriage outwards	108	
Rent and Insurance	870	
Provision for bad and doubtful debts		330
Fixtures and fittings	600	
Delivery van	1,050	
Accounts receivable and payable	5,955	3030
Drawings	1,440	
Wages and salaries	4,470	
General office expenses	225	
	29,898	29,898

Additional information as at 31 October 2016.

(i)   Inventory   sh.2,145,000
(ii)   Wages and salaries accrued sh.105,000
(iii)   General office expenses owing sh.10,000
(iv)   Rent prepaid sh.90,000
(v)   Increase the provision for bad and doubtful debts bysh.330,000 to sh.405,000 (vi) Provide for depreciation as follows: Fixture and fittings sh.60,000
         Delivery van   sh.150,000.

Prepare for year ended 31 October 2016.

    (a) Trading Profit and Loss Statement   (12 Marks)
    (b) A balance sheet as at that date.   (8 Marks)

QUESTION THREE

(a) The following transactions are in respect of credit purchases and credit sales as recorded by Issa Mambo, a sugar merchant, during the month of October 2002.

October 2: Bought 125 bags of sugar at sh. 3,200 each from Miwa Sugar Ltd.

    4:      Sold 80 bags of sugar at sh. 5,300 each to Salim Brothers.

    5:      Bought old furniture at sh. 7,000 from Mbao Carpenters on credit.

    9:      Returned 20 bags of sugar at their original cost to Miwa Sugar Ltd.

    14:    Bought 30 bags of sugar at sh. 3,000 from Hamisi Sugar Ltd.

    15:    Sold a motor van for sh. 250,000 to Ujuzi Girls School on credit.

    18:    Sold 15 bags of sugar at sh. 5,000 each to Wote Enterprises.

    21:    Accepted back 25 bags of sugar from Salim Brothers at their original cost.

    23:    Bought 35 bags of sugar at sh. 3,100 each from Hamisi Sugar Ltd.

    24:    Sold 20 empty bags at sh. 350 each to Dafala Enterprises on credit.

    28:    Sold 100 bags of sugar at sh. 5,500 each to Wote Enterprises.

Required:

The necessary entries in subsidiary journals (including journal proper) to record the above transactions.

(10 marks)

b). The trial balance of S Juma, a sole trader, did not balance on 30 April 1995. The difference was put in the suspense account. The final accounts which were then prepared showed a net profit of Sh. 64,000. During audit, the following errors were noted:

1. A loan from ABD Bank of Sh 10,000 was entered correctly in cash book but was not posted to the ledger.
2. A cheque of Sh. 4,000 for rent was not entered in the books.
3. Closing stock was overvalued by Sh 1,500.
4. Discount allowed of Sh 500 was entered in the discount-received account.
5. The opening stock was understated by Sh 3,200.
6. Prepaid insurance of Sh 220 had been included in the profit and loss account.
7. Goods destroyed by fire amounting to Sh 12,000 were written off in the profit and loss account. However, the insurance company has agreed to compensate the full amount.

Required:

  i. Journal entries to correct the errors.   (6 marks) ii.

  Statement of corrected profit.   (2 marks) iii.

  Suspense account.   (2 marks)

QUESTION FOUR

a) The following information was extracted from the records of Jomalka Traders for the month of September 2003.

	Sh.
Trade debtor: 1 September 2003	239,280
Trade creditors: 1 September 2003	134,408
Credit sales	193,000

Cash sales	84,000
Provision for doubtful debts	12,000
Cash purchases	76,400
Contra settlements	19,680
Bad debts written off	7,240
Credit purchases	132,480
Payments to trade creditors	149,000
Receipts from trade debtors	220,000
Discounts received	8,500
Returns inwards	8,010
Discounts allowed	7,600
Bills payable	25,200
Returns outwards	20,000
Bills receivable	36,000
Interest charged on customers overdue accounts	920

Required

For the month of September 2003, prepare:

    i. Sales ledger control account   (6 Marks) ii. Purchase ledger account.
    (6 Marks)

b) Discuss in details any Four Accounting Principles   (8 Marks)

QUESTION FIVE

(a) The following is the summary of the cashbook of Round Kijana Ltd. For the year ended 30 April, 2017:

Cash Book

	Sh.		Sh.
Balance brought down	91,200	Payments	17,563,800
Receipts	17,661,400	Balance carried down	188,800
	17,752,600		17,752,600

After analysis, the following matters were discovered:

1. The following standing orders appearing on the bank statement had not yet been entered in the cash book:

- Interest for the half year to 31 October, 2016 on a loan of Sh. 3,000,000 at 8% per annum interest.

- Hire purchase repayments on the managing director's car amounting to Sh. 73,200. ☐ Dividends received on a trade investment amounting o Sh. 124,800.

2. The company owed Sh. 78,900 for electricity consumed up to 30 April, 2017.

3. A cheque for Sh. 11,200 had been debited by the bank to the company's account by mistake.

4. An error of transposition had occurred in that the opening balance of the cash book should have been brought down as Sh. 92,100.

5. As at 30 April, 2017, cheques paid to suppliers totaling Sh. 83,000 had not yet been presented to the bank and deposits made into the bank totaling Sh. 78,000 had not yet been credited to the company's bank account.

6. A cheque received from a customer of Sh. 16,700 had been returned by the bank marked "refer to drawer" but it had not yet been written back into the cash book.

7. A cheque drawn for Sh. 6,900 had been entered in the cash book as Sh. 9,600 and another drawn for Sh. 34,100 had been entered as a receipt.
8. Bank charges of Sh. 21,300 shown on the bank statement had not yet been entered in the cash book.
9. A page of the receipts side of the cash book had been undercast by Sh. 40,000.
10. As at 30 April, 2017, the company's bank statement showed a credit balance of Sh. 51,600.

Required:
    (i) Adjusted cash book as at 30 April 2017.   (11 marks)
    (ii) Bank reconciliation statement as at 30 April 2017   (5 marks)
(b) Define accounting and highlight its major branches   (4 marks)