



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 Paper2
TIME: 2 HOURS

INSTRUCTIONS:

Answer Question **ONE (Compulsory)** and any other **TWO** questions

This paper consists of Four printed pages

QUESTION ONE (COMPULSORY)

Rechi started business as a fishmonger on 1st July 2015. His transactions during the month of July 2015 were as follows:

- July 1 Opened Bank Account and deposited shs. 40,000 and cash in hand was sh 10,000
- 3 Paid in cash rent shs 3,500
- 4 Purchased on credit fish valued shs. 36,000 from Kisumu Co-op.
- 6 Sold fish sh. 58,000 and received cash
- 7 Purchased new office desk sh 27,000 and paid by cheque
- 9 Deposited of the cash in hands shs 25,000 into the bank
- 10 Purchased fish sh. 20,000 from Kolwa and paid half of the amount involved by cheque
- 11 Sold fish sh 15,000 on credit to Matunda

- 13 Matunda returned some fish and received a credit note for shs. 2,000
- 16 Received cheque sh 7,000 from Matunda on account.
- 18 Purchased fish shs. 8,900 on credit from Agoro
- 19 Sold fish shs. 5,300 on credit to Samaki.
- 20 Paid Kisumu Co-Op. shs 16,000 by cheque on account
- 22 Withdrew shs. 5,000 from Bank for personal use.
- 24 Bought fish shs. 8,300 and paid by cheque
- 26 Sold fish sh. 5,600 to Uthiru and received their cheque for sh. 1,200 in part payment.
- 28 Paid Kolwa by cheque the full amount due to them less 5% cash discount.
- 29 Paid Salaries shs. 4,700 in cash and water bills shs. 500 by cheque.

NOTE: All cheques were deposited in the bank on the day they were received.

You are required to:

(a) Enter the above transactions into journal proper and post to the ledger (including three column cash book). **(20 Marks)**

(b) Balance the accounts and extract a Trial Balance as at 31st July, 2015.

(10 Marks)

QUESTION TWO

a) A Trial Balance extracted from the books of Mogaka Mwenyagetinge had the following totals:-

Debit side total shs. 938,400

Credit side total shs. 932,300

Mogaka Mwenyagetinge opened a Suspense Account and placed the difference in trial balance there to. He discovered the following errors and omissions:

(a) A credit note for shs. 2,300 received from Shah Wholesalers had not been recorded anywhere in the books.

(b) A credit note for shs. 1,400 issued to Nyambaane Retailers had been entered correctly in the appropriate subsidiary book but had not been posted to their personal account.

(c) A cheque for shs. 7,400 received from Dave Kuria was entered as shs. 4,700 in the Cash Book and posted to the ledger accordingly.

(d) Discounts allowed shs. 2,350, were credited to Discounts Received Account in the ledger.

(e) Rent received. Shs. 2,200, has been credited to Premises Account.

(f) Sales book was undercast by shs. 9,400.

Required:-

i. Journal entries to rectify above errors and omissions.

ii. Suspense Account, duly balanced.

(10 Marks)

b) Discuss chronologically, the accounting cycle.

(10 Marks)

QUESTION THREE

The following is the Trial Balance extracted from the books of a sole trade, Kamangu at 31st December 2016

	DR Shs.	CR Shs.
Inventory 1 st January 2016	50,000	
Freehold premises	240,000	
Purchases	280,000	
Salaries & Wages	35,000	
Sales		520,000
Fixtures & Fittings	25,000	
Discount received		4,500
Plant & Machinery	140,000	
Rates	5,600	
Advertising	10,400	
Insurance	3,800	
General expenses	7,200	
Allowances for doubtful debts		1,800
Accounts receivable	90,000	
Sundry accounts payable		58,000

Cash in hand	2,400	
Bank overdraft		18,600
Drawings	13,500	
Capital Account		<u>300,000</u>
	<u>902,900</u>	<u>902,900</u>

The following additional information is provided:

- Provide for depreciation of plant & machinery at 10% per annum and fixtures & fittings at 12% per annum.
- Increase the provision for Bad debts to an amount equal to 4% of accounts receivable.
- Prepaid Insurance amounts to shs. 500
- Rates accrued shs. 400
- Closing inventory was shs. 60000
- During the year Kamangu took goods worth shs. 2000 for his personal use.

Required:

- Prepare in income statement for the year ending 31st December, 2016 **(10 Marks)**
- A statement of financial position as at that date. **(10 Marks)**

QUESTION FOUR

(a) The following were from the bank columns of cash book of P. Wambua:-

Dr.			Cr.		
2017		Sh	2017		Sh
April 1	Balance b/f	2,500	April 3	A. Smith	200
" 7	Sales	300	" 5	M. Robert	1,300
" 10	R. William	1,200	" 7	Sundry expenses	100
" 20	Sales	700	" 15	Wages	300
" 30	H. Malthus	600	" 18	Rent	250
			" 25	A. Smith	150
			" 30	Balance c/f	3,000
		<u>5,300</u>			<u>5,300</u>

On 30th April 2017 he received the following statement from his bank:-

2017	Dr	Cr	BALANCE
	Sh	Sh	Sh
April 1	Balance b/f (Cr)		2,500
5	A. Smith	200	2,300
7	Cash		2,600
8	M. Robert	1,300	1,300
8	Sundry expenses	100	1,200
10	R. William		2,400
13	S. David	700	1,700

15 A. Black		1,500	3,200
15 Wages	300		2,900
19 Rent	250		2,600
20 Cash deposit		700	3,350
30 Bank charges	100		3,250
30 Standing order	500		2,750

You are required to:-

- i. Bring the cash book up to date and state the new balance at 30th April 2017
 - ii. Prepare a bank reconciliation statement. **(10 marks)**
- (b) Discuss Five qualities of good Accounting information **(10 Marks)****

QUESTION FIVE

- (a) Define accounting and discuss its major branches **(10 Marks)****
- (b) All public limited companies are required by law to publish their financial statements, discuss the users of these financial statements **(10 Marks)****