



# TECHNICAL UNIVERSITY OF MOMBASA

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SCHOOL OF BUSINESS

Department of Accounting & Finance

UNIVERSITY EXAMINATION FOR:

BACHELOR OF SCIENCE IN COMPUTER SCIENCE  
BACHELOR OF SCIENCE IN INFORMATION TECHNOLOGY

BAC 4150: INTRODUCTION TO ACCOUNTING

END OF SEMESTER EXAMINATION

SERIES: APRIL 2022

TIME: 2 HOURS

INSTRUCTION: ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS.

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## QUESTION 1 (COMPULSORY)

- (a) The following trial balance was extracted from the books of Mtwapa Enterprises as at 31 December 2021:

	DR	CR
	Sh000	Sh000
Sales		30,000
Returns inwards	500	
Carriage inwards	200	
Wages	5,000	
Premises	12,000	
Equipment	4,000	
Accounts payable		2,500
Rent and rates	500	
Heating and lighting	400	
Discounts allowed	250	
Discounts received		150
Purchases	16,000	

Returns outwards		500
Carriage outwards	200	
Inventory as at 1.1.2021	1,500	
Accounts receivable	3,000	
Rent receivable		300
Administration expenses	800	
Insurance	150	
Cash	950	
Capital		14,000
Drawings	2,000	
	<u>47,450</u>	<u>47,450</u>

At the year end the following additional information is available:

1. Sh. 50,000 of administration expenses remain unpaid.
2. Sh. 30,000 of insurance relates to the following year.
3. Bad debts of sh. 50,000 are to be written off.
4. Sh. 50,000 of rent is still owing to the business.
5. Sh. 20,000 of wages are outstanding, relating to overtime worked in December.
6. Closing inventory is valued at sh. 2,000,000.
7. Equipment is to be depreciated by sh. 800,000.

Required;

- (i) Prepare income statement for the year ended 31 December 2021; and (12 marks)
  - (ii) Statement of financial position as at that date. (8 marks)
- (b) Discuss the desirable characteristics of accounting information. (10 marks)

(Total = 30 marks)

## QUESTION 2

(a) Explain four errors that are not disclosed by the trial balance. (10 marks)

(b) At the 30<sup>th</sup> June 2021 the following errors were discovered in the books of Kamau.

1. A purchase invoice valued at sh. 97,000 from B. Shaushi was omitted from the books.
2. A sale accounting to sh. 206,000 had been debited to J. Kingi's account instead of J. Kingi and Brothers Ltd account.
3. A new computer costing sh. 65,000 was debited to repairs account.
4. Discounts allowed of sh. 98,000 had been entered in the cash book as sh. 89,000 and this amount had been credited to Bozo Ltd.

Required;

Prepare appropriate journal entries to correct the above errors. (10 marks)

## QUESTION 3

The cashbook of Juma Hemed at 31<sup>st</sup> March,2022, showed a debit balance of sh. 5,240,000, whereas the bank statement at the same date showed sh. 8,333,000.

On comparing the cashbook with the bank statement, the following differences were obtained:

1. A cheque paid to a creditor for sh. 974,000 was entered in the cashbook as sh. 794,000.
2. Dividends from investments received by the bank but not entered in the cashbook amounted to sh. 250,000.
3. Bank charges not entered in the cashbook of sh. 97,000.
4. A standing order for a trade subscription was not entered in the cashbook for sh. 18,000.
5. Unpresented cheques amounted to sh. 3,468,000.
6. Bank deposits not yet credited by the bank amounted to sh. 274,000.
7. Cheques returned by the bank marked "refer to drawer" and not adjusted in the cashbook amounted to sh. 56,000.

Required;

Prepare:

- (a) An updated cashbook. (10 marks)
- (b) Bank reconciliation statement as at 31 March,2022. (10 marks)

#### QUESTION 4

Discuss in details the following accounting principles:

- (a) Objectivity (4 marks)
- (b) Prudence (4 marks)
- (c) Consistency (4 marks)
- (d) Materiality (4 marks)
- (e) Duality or double entry (4 marks)

#### QUESTION 5

The following transactions took place in the business of Mlachake Enterprises in the month of April,2021:

- April
- 1. Mlachake invests sh. 300,000 in the business.
  - 3. purchases goods for sh. 130,000 in cash.
  - 4. Purchases equipment for sh. 40,000 in cash.
  - 5. purchases goods on credit for sh. 150,000.

9. Pays rent sh. 25,000 in cash.
10. Pays fuel and electricity bills amounting to sh. 12,000.
11. Pays general expenses of sh. 10,000.
19. Sells goods for sh. 200,000 in cash. The cost of these sales was sh. 120,000.
20. Sell goods for sh. 190,000 on credit. The cost of these sales was sh. 120,000.
21. Withdraws sh. 50,000 in cash.
28. Pays sh. 100,000 to creditors.
29. Receives sh. 125,000 from debtors.
30. Sh. 2,500 is drawn from the bank and held as petty cash float.

Required;

- (a) Record the above transactions in appropriate ledger accounts, balance off the accounts and extract a trial balance as at 30 April 2021. (10 marks)
  - (b) Prepare:
    - (i) Income statement for the month of April, 2021, and (5 marks)
    - (ii) Statement of financial position as at 30 April 2021. (5 marks)
- (Total = 20 marks)