



TECHNICAL UNIVERSITY OF MOMBASA

School of Business

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR DIPLOMA

DSCM

BAC 2180: FINANCIAL ACCOUNTING

SUPPLEMENTARY/SPEC. EXAMINATION

SERIES: July 2022

TIME: 2 HOURS

DATE: july2022

Attempt Question ONE (Compulsory) and any other TWO Questions.

Question ONE (Compulsory)

- a) Highlight four types of Journals and their uses. (8Marks)
- b) On 1 February 2020, Jack Limited had Ksh. 191,000 in cash and Ksh. 137,000 at Bank.

The following transactions took place during the month of February 2020.

February 3 Received a cheque for Ksh. 120,000 from Timothy

4 Paid wages of Ksh. 45,000 in cash and Ksh. 80,000 by cheque

8 Received cash Ksh. 15,360 from James after deducting 4% cash discount

9 Paid fuel cost of Ksh. 4,000 in cash

12 Cash sales amounted to Ksh. 30,000

13 Settled Dorka's account of Ksh. 40,000 by cheque less 4% cash discount

15 Took Ksh.97,000 from the cash till for personal use

16 Maureen settled her account of Ksh. 8,000 in cash

19 Cash sales directly deposited into the bank account Ksh. 11,000

24 Withdrew Ksh. 15,000 from bank for office use

25 Settled Akinyi's account of Ksh. 60,000 by cheque less Ksh.1,800 cash discount

28 Deposited all the cash into the bank except Ksh. 9,000

Prepare a three- column cash book to record the transactions above. (12Marks)

c) Prepare a sales ledger control account from the following information. (10Marks)

2021	Ksh.
March 1 Debit balances	122,710
Totals for March:	
Sales journal	93,340
Cash and cheques received from debtors	114,870
Discount allowed	6,290
Debit balances in the sales ledger set off against credit balances in the purchases ledger	820
31 Debit balances	?
Credit balances	470

Question TWO

- a) Explain Five qualities of good accounting information. (10Marks)
- b) The following expenditure was incurred by Mosa Traders in the month of January 2021;

	Ksh.
Discount allowed	50,000
Extension of office block	200,000
Transport	180,000
Purchase of office furniture	240,000
Purchase of office pens	1,400
Salaries	350,000
Repairs to office	150,000
Installation of electric gate	80,000

Required

Determine the total:

- i) Capital expenditure (5Marks)
- ii) Revenue expenditure (5Marks)

Question THREE

- a) The following trial balance was extracted from the books of Tiwi traders as at 31st December, 2020.

	Dr	Cr
	Sh.000	Sh.000
Capital		130,000
Drawings	27,000	
Accounts receivable/payable	25,350	22,500
Inventory 1/1/2020	39,610	
Purchases and sales	145,000	224,000
Returns	5,390	4,620
Wages and salaries	31,650	
Carriage inwards	4,700	
Discounts	3,540	3,300
Advertising	5,130	
Bad debts	1,100	
General expenses	5,100	
Rates	2,750	
Cash	800	
Bank	3,300	
Motor vehicles at cost	15,000	
Provision for depreciation		
Motor vehicle		4,000
Premises	100,000	
Provision for depreciation on premises		25,000
Allowances for doubtful debts	<u> </u>	<u>2,000</u>
	<u>415,420</u>	<u>415,420</u>

Additional information:

- (i) Inventory at 31 December was valued at Sh.41,260.000

- (ii) Motor vehicles are depreciated at 20% on cost and premises are depreciated at 10% on cost.
- (iii) Wages owing at 31 December 2020 were to Sh.5,400,000 while prepaid rates amounted to Sh.750,000 at that time.
- (iv) Allowances for doubtful debts should be adjusted to 10% of accounts receivable.

Required

Prepare a trading, profit and loss account as at 31st Dec.2020 and a balance sheet thereof.

(20 mark)

Question THREE

- a) The cash book of the XL Traders showed a debit balance of Sh.72,000 as at 31 July 2020, whereas the bank statement showed a different figure as at the same date. The difference was caused by the following:
 - i) Cheques issued by the XL Traders totaling Ksh.123,000 did not appear in the bank statement.
 - ii) Cheques totaling Ksh.78,000 deposited on 31st July 2020 did not appear in the bank statement.
 - iii) Bank charges for the month amounted to Sh.2,900.
 - iv) The bank made a payment of Sh.20,000 to the XL Traders' Landlord as per a standing order.
 - v) A cheque of Sh.12,000 deposited on 24th July 2020 was returned unpaid on 4th August 2020.
 - vi) A debtor remitted Sh.19,400 direct to the XL Traders' bank account.
 - vii) Dividends amounting to Sh.2,100 were recovered and entered by the bank but no record has been made in the cash book of the XL Traders.
 - viii) The cash book had been overstated by Sh.1,000 on the debit side.

Required:

- i) Update cash book as at 31 July 2020. (2Marks)
- ii) Bank reconciliation statement as at that date. **(18 marks)**

Question FOUR

- a) Explain the following accounting terms:
- i) Historical cost principle (2Marks)
 - ii) Realization principle (2Marks)
 - iii) Matching principle (2Marks)
 - iv) Full disclosure principle (2Marks)
- b) Discuss six type of errors that cannot be disclosed by the trial balance. (12marks)

Question FIVE

You are to enter the following items in the books, post to personal accounts, and show transfers to the general ledger.

2020

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|------|----|---|
| July | 1 | Credit purchases from: K Hill sh. 38000; M Norman Sh.5000; N Senior sh.1060. |
| " | 3 | Credit sales to: E Rigby sh.5100; E Phillips sh.2460; F Thompson sh.3560. |
| | 5 | Credit purchases from: R Morton sh2000; J Cook sh.1800; D Edwards sh.410; C Davies sh.66. |
| " | 8 | Credit sales to: A Green sh.3070; H George sh.2500; J Ferguson sh1850. |
| " | 12 | Returns outwards to: M Norman sh.300; N Senior sh.160. |
| " | 14 | Returns inwards from: E Phillips sh.180; F Thompson sh.220. |
| " | 20 | Credit sales to: E Phillips sh.1880; F Powell sh.310; E Lee sh.4200. |
| " | 24 | Credit purchases from: Ferguson sh.5500; K Ennevor sh.9000. |
| " | 31 | Returns inwards from: E Phillipssh.sh.27; E. Rigby sh.300. |
| " | 31 | Returns outwards to: J Cook sh.130; C Davies shsh.110. |

(20 Marks)