



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

UNIVERSITY EXAMINATION FOR:

DSCM

BAC 2180: FINANCIAL ACCOUNTING

END OF SEMESTER EXAMINATION

SERIES: APRIL, 2022

TIME:2HOURS

DATE Pick Date Apr 2022

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) There are a number of people and groups that are interested in the company's books of accounts and records. List down Five users of the financial statement explaining clearly the interest of each group. **(10 Marks)**

b) The following balances were obtained from the books of account of Pendo Enterprises as at 31 December 2021

	Ksh.
Sales	1,200,000
Returns inwards	30,000
Returns outwards	40,000
Discount received	15,000
Accounts payable	670,000
Accounts receivables	810,000
Purchases	850,000
Bank loan	500,000
Cash at bank	420,000
Rent received	10,000
Salaries and wages	310,000
Capital	700,000
Sundry expenses	80,000

Furniture 635,000

Required

Prepare a trial balance as at 31 December 2021. (10Marks)

c) Explain each of the following accounting concepts

i) Materiality concept (2Marks)

ii) Going concern concept (2Marks)

iii) Monetary unit concept (2Marks)

iv) Dual aspect concept (2Marks)

v) Periodicity concept (2Marks)

Question TWO

The trial balance of Jomvu Enterprises as at 31 December 2021 failed to agree, the debits exceeding the credits by Ksh. 110,000. Upon investigations, the following errors were revealed.

- i) The wages account has been overstated by Ksh. 80,000
- ii) Rent payment of Ksh. 25,000 had been credited in the rent receivable account.
- iii) A purchase of an office printer for Ksh. 10,000 had been debited in the office expenses account.
- iv) A sale of goods for Ksh. 18,000 on credit to Timothy had not been entered in the books.
- v) The purchases account had been undercast by Ksh. 29,000
- vi) Discount allowed account had been overcast by Ksh. 9,000

Required

i) Journal entries to correct the errors above (7Marks)

ii) Suspense account (3Marks)

b) Explain Five causes of depreciation of non- current assets. (10Marks)

Question THREE

On 31st December 2017, the bank column of Munuve & Co cash book showed a debit balance of sh. 150,000. The monthly statement written up to 31st December 2017 showed a credit balance of sh. 292,000.

On checking the cashbook with the bank statement was discovered that the following transaction had not been entered in the cashbook.

- a) Dividends of sh. 24,000 had been paid directly into the bank account.

- b) A credit transfer KRA VAT refund of sh. 26,000 had been collected on behalf of Munuve by the bank.
- c) Bank charges amounted to sh. 3,000.
- d) A direct debit of sh. 7,000 for the Kisii Sports Club subscription had been paid by the bank.
- e) A standing order of sh. 20,000 for materials loan repayment had been paid by the bank.
- f) Munuve deposit account balance of sh. 140,000 was transferred into his bank current account.

A further scrutiny revealed the following items;

- i) Two cheques drawn in favor of Tausi sh. 25,000 and Fahari sh. 26,000 had been entered in the cashbook but had not been presented to the bank for payment.
- ii) Cheque amounting to sh. 69,000 had been paid into the bank to on 31st December 2017 but were no credited by the bank until 2nd January 2018.

Required:

- a) Updated cashbook. (10Marks)
- b) Prepare a bank reconciliation statement as at 31st December 2017. (5Marks)
- c) Highlight five causes of differences in the cashbook and bank statement (5Marks)

Question FOUR

The following information relates to J Martin Enterprises for the year ended 31 December 2021.

	Dr Ksh.	Cr Ksh.
Stock 1 Jan 2022	29,460	
Carriage outwards	2,000	
Carriage inwards	3,100	
Returns inwards	2,050	
Returns outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures and fittings	3,500	
Debtors	38,960	
Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital		126,360
	<u>332,890</u>	<u>332,890</u>

