



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING & FINANCE
UNIVERSITY EXAMINATION FOR:
BACHELOR OF COMMERCE I
BACHELOR OF IN BUSINESS ADMISTRATION I
BACHELOR OF BUSINESS AND OFFICE MANAGEMENT I
BACHELOR OF BUSINESS AND INFORMATION TECHNOLOGY I
BAC 4101: INTRODUCTION TO ACCOUNTING I
END OF SEMESTER EXAMINATION
SERIES: DECEMBER, 2024
TIME: 2HOURS
DATE: DECEMBER, 2024

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

Bibi started business as a fishmonger on 1st July, 2020. His transactions during the month of July 2024 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
- 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.
- 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 **(20 Marks)**
- (b) Balance the accounts and extract a Trial Balance as at 31st July, 2024. **(10 Marks)**

QUESTION TWO

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

Debit side total shs. 938,400

Credit side total shs. 932,300

Chanyae 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 Mhindi Wholesalers had not been recorded anywhere in the books.
- (b) A credit note for shs. 1,400 issued to Mokaya 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 Chacha Mwitwa 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. **(6 Marks)**
- ii. Suspense Account, duly balanced. **(4 Marks)**
- b) Discuss the steps that one would follow in recording financial information up to the point of analyzing the financial statements. **(10 Marks)**

QUESTION THREE

The following is the Trial Balance extracted from the books of a sole trade, Makau at 31st December 2023

| | DR Shs. | CR Shs. |
|--|----------------|----------------|
| Inventory 1 st January 2023 | 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>902,900</u> | <u>300,000</u> |
| | | <u>902,900</u> |

The following additional information is provided:

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

Required:

- a) Prepare in income statement for the year ending 31st December, 2023 **(12 Marks)**
- b) A statement of financial position as at that date. **(8 Marks)**

QUESTION FOUR

- (a) The following were from the bank columns of cash book of Athembo:-

| Dr. | | | Cr. | | |
|---------|-------------|--------------|---------|-----------------|--------------|
| 2024 | | Sh | 2024 | | 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 2024 he received the following statement from his bank:-

| 2024 | Dr | Cr | BALANCE |
|---------|------------------|-------|---------|
| | Sh | Sh | Sh |
| April 1 | Balance b/f (Cr) | | 2,500 |
| 5 | A. Smith | 200 | 2,300 |
| 7 | Cash | 300 | 2,600 |
| 8 | M. Robert | 1,300 | 1,300 |
| 8 | Sundry expenses | 100 | 1,200 |
| 10 | R. William | 1,200 | 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:-

- Bring the cash book up to date and state the new balance at 30th April 2024
- Prepare a bank reconciliation statement. **(10 marks)**

(b) Discuss Five desirable characteristics of good Accounting information (10 Marks)

QUESTION FIVE

- Why should an organization prepare accounting records? **(10 Marks)**
- Who are the stakeholders in accounting information and what are their information need **(10 Marks)**