



TECHNICAL UNIVERSITY OF MOMBASA

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*School of business*

DEPARTMENT OF ACCOUNTING AND FINANCE

UNIVERSITY EXAMINATIONS FOR

DIPLOMA IN BUSINESS MANAGEMENT, DIPLOMA IN HUMAN RESOURCE MANAGEMENT, DIPLOMA IN PROCUREMENT AND MATERIAL MANAGEMENT, DIPLOMA IN ACCOUNTANCY

**BAC 2104; FINANCIAL ACCOUNTING**

SUPPLEMENTARY /SPECIAL EXAMINATIONS

**SERIES; NOVEMBER 2025**

**TIME; 2 HOURS**

## Instructions;

This paper consists of FOUR questions. Attempt question ONE(Compulsory) and any other two questions.

### Question One

	Shs.
19x8	
May1 Balances brought down from April:	
Cash balance	29
Bank balance	654
Receivables accounts:	
king	120
Campbell	280
Shand	40
Payables accounts:	
Barrow	60
Allen	440
Long	100
May2 king pays us by cheque, having deducted a 2 1/2 % cash discount shs.3	
sh. 117	
„ 8 We pay Long his account by cheque, deducting 5 percent cash discount	
shs.5 sh. 95	
„ 11 We withdrew shs.100 cash from the bank for business sh.100	

- „16 Campbell pays us his account by cheque ,deducting 21/2 % discount sh.7 sh. 73
- „25 We paid wages in cash sh. 92
- „28 Shand pays us in cash after having deducted 5% cash discount sh. 38
- „29 We pay Barrow by cheque less 5% cash discount sh.3 sh. 57
- „30 We pay Allen by cheque less 21/2% cash discount sh.11 sh. 429

**Required:**

Prepare a three-column cash book, bringing down the balances on June 1 19x8. (30 marks)

**Question Two**

Explain the application of the following accounting principles in the context of financial accounting:

- a) Money measurement concept (4 marks)
- b) Duality concept (4 marks)
- c) Separate entity concept (4 marks)
- d) Consistency concept (4 marks)
- e) Materiality concept (4 marks)

**Question Three**

The following trial balance was extracted from the books of XY sole traders as at 31.12.20x1

XY sole traders as at 31.12.20x1

Accounts	Dr (shs)	Cr (shs)
Sales		18,600
Purchases	11,556	
Inventory 1.1.20x1	3,776	
Carriage Outwards	326	
Carriage Inwards	234	
Returns Inwards	440	
Returns Outwards		355
Wages and Salaries	2,447	
Motor Expenses	664	
Rent	576	
Sundry Expenses	1,202	
Motor Vehicle	2,400	
Fitting and Fixtures	600	3,045
Payables		
Bank	4,876	

Receivables	4,577	
Loan		1,000
Cash	120	
Drawings	2,050	
Capital		12,844
	35,844	35,844

Inventory at 31.12.20x1 was shs 4,998.

**Required:**

- a. Prepare Statement of Profit or Loss for the year ended 31.12.20x1 **(10 Marks)**
- b. Prepare Statement of Financial Position as at 31.12.20x1 **(10 Marks)**

**Question Four**

- a) In relation to bank reconciliation, explain how the following terms cause difference between the bank statement and cash book balances:
  - i) Unpresented cheques **(3 marks)**
  - ii) Outstanding lodgments/uncredited cheques **(3 marks)**
  - iii) Standing order **(3 marks)**
  - iv) Direct debit **(3 marks)**

b) On 31 January 20X8 a company's cash book showed a credit balance of shs 150 on its current account which did not agree with the bank statement balance of shs 600 overdraft. In performing the reconciliation, the following points came to light.

shs

**Not recorded in the cash book**

Bank charges	36
Transfer from deposit account to current account	500

**Not recorded on the bank statement**

Unpresented cheque	116
Outstanding lodgments	630

It was also discovered that the bank had debited the company's account with a cheque for shs 400 in error.

**Required:**

Prepare the following;

- i) A corrected updated cash book **(4 marks)**
- ii) A bank reconciliation statement reconciling bank statement balance to the updated cash book balance **(4 marks)**

**Question Five**

a) Explain FIVE reasons why business keep control accounts (10 marks)

b) The following were extracted from the books of Katec Ltd for the month of April 20x5:

Debit balances 1April 20x5:	Sales ledger	1,428,000
	Purchases ledger	10,500
Credit balances 1April 20x5:	sales ledger	40,500
	Purchases ledger	553,800
Discount received		142,500
Purchases (including cash purchases shs.152,000)		1,334,000
Cash sales		618,000
Credit sales		2,068,200
Returns inwards		75,000
Contra/set off		36,900
Payment to creditors		1,159,200
Interest charged on overdue accounts		69,000
Receipts from customers		1,578,000
Bad debt written off		37,200
Customers unpaid cheques		26,100
Interest charged to customers on overdue accounts		96,000
Debt collection expenses charged to debtors		10,800
Returns outwards		26,700
Debit balances 1April 20x5:	Sales ledger	50,700
	Purchase ledger	595,400
Credit balances 1April 20x5:	Sales ledger	2,320,500
	Purchases ledger	14,400

**Required:**

- a) Sales ledger control account for the month ended 30 April 20x5 (5 marks)
- b) Purchases ledger control account for the month ended 30 April 20x5 (5 marks)