



TECHNICAL UNIVERSITY OF MOMBASA

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School of Business

Department of Accounting & Finance

**UNIVERSITY EXAMINATION FOR:**

DIPLOMA IN ACCOUNTANCY

DIPLOMA IN BUSINESS MANAGEMENT

DIPLOMA IN BUSINESS ADMINISTRATION

DIPLOMA IN PROCUREMENT AND MATERIAL MANAGEMENT

DIPLOMA IN HUMAN RESOURCE MANAGEMENT

DIPLOMA IN FRONT OFFICE AND OPERATIONS

DIPLOMA IN SALES AND MARKETING

BAC 2104: FINANCIAL ACCOUNTING

SPECIAL/SUPPLEMENTARY EXAMINATION

**SERIES: MARCH 2025**

**TIME: 2 HOURS**

**DATE: Pick Date Aug 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.**

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**Question ONE**

- a) Mr. Kazungu has been trading for some years as a wine merchant. The following list of balances has been extracted from his ledger as at 30th April 2012, the end of his most recent financial year. (20 marks)

Particulars	Dr. (sh. 000)	Cr. (sh. 000)
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Capital		83,887
Drawings	18,840	
Furniture and Fittings at cost	120,740	
Stock as at 1 <sup>st</sup> May, 2011	15,654	
Purchase and Sales	135,680	259,870
Returns	5,624	13,407
Salaries and Wages	38,521	
Rent, rates and insurance	25,973	
Carriage	4,562	11,830
Trades accounts payable		19,840
Allowances for doubtful debts		512
Discount allowed	2,306	
Discount received		1,750
Cash in hand	534	
Cash at bank	4,440	
Drawings	18,440	
Heating and lighting	11,010	
Postage, stationery and telephone	2,410	
Advertisement	5,980	
Bad Debts	2,008	
Trade Accounts Receivable	24,500	
Provision for depreciation of fixtures and fittings as at 30 <sup>th</sup> April, 2012		
Depreciation	12,074	63,020
	<b>454,116</b>	<b>454,116</b>

You are required to consider the following adjustments:

1. Stock on December 31, 2009 was valued at sh. 10,200.
2. Provide for doubtful debts at 5% on Sundry Debtors and for Discount on Creditors at 2%.
3. Rent due was sh. 160.
4. Taxes of sh. 320 were paid in advance.
5. Depreciate Furniture at 10% per annum.
6. Apprentice Premium of sh. 120 was to be carried forward.
7. Calculate interest on capital at 5% per annum.

b) Discuss the limitations of accounting as analyzed in Financial Accounting (10 Marks)

### Question TWO

Prepare Journal in the books of K.K. Co. from the following transactions: (20 Marks)

December, 2009

- 1 Started business with a capital of sh. 50,000
- 6 Paid into bank sh. 20,000
- 8 Purchased goods for cash sh. 4,000

- 9 Paid to Ram sh. 1,980, Discount allowed by him sh. 20
- 10 Cash sales sh. 3,000
- 12 Sold to Hari for cash sh. 2,000
- 15 Purchased goods from Ram sh. 4,000
- 18 Paid wages to workers sh. 800
- 20 Received from Pankaj sh. 1,000. Allowed him discount sh. 50
- 22 Withdrawn from bank sh. 8,000
- 25 Paid Ram by cheque sh. 500
- 31 Withdrawn for personal use sh. 200

**Question THREE**

- a) Differentiate between the Cash Book and Bank Reconciliation as analyzed in accounting. (4 Marks)
- b) From the following transactions, prepare the Two Column Cash Book (16 Marks).

2006		Sh.
Aug. 1	Cash in hand	25,500
Aug. 2	Received from Rakesh and discount allowed to him	2,900 100
Aug. 5	Cash sale	6,000
Aug. 6	Purchased goods for cash	7,800
Aug. 8	Received from Neelam and Allowed her discount	1,350 50
Aug. 12	Paid to Ravinder and Received discount	3,400 200
Aug. 20	Paid rent	1,000
Aug. 25	Interest received in cash	500
Aug. 26	Paid to Kamal and Received discount	1,760 40
Aug. 28	Machinery purchased	5,200
Aug. 30	Salaries paid	3,000

**Question FOUR**

- a) What are suspense accounts and why are they used? (6 marks)
- b) Identify **six** errors that might be revealed by a trial balance. (6 marks)
- c) On 31 December 2013, the trial balance of MTC Ltd did not agree with the debits totaling £1,860 more than the credits. The following errors were found:
  - i. Discount received of £80 had been debited to the discount allowed account.
  - ii. Motor repairs of £150 had been debited to the motor car account.
  - iii. A bad debt of £309 had been entered into the customer's account but not the bad debt account.
  - iv. £78 paid for a telephone bill had been entered in the telephone account as £87.
  - v. Cash sales of £2,000 had not been entered into the sales account.

vi. An invoice of £1,750 to Scotts Garage had been posted into the accounts twice.

**Required:**

Prepare a suspense account to correct the errors (no journal entries required). (8 marks)

**Question FIVE**

a) Write short notes on the following:

- i. Matching concept
- ii. Entity concept
- iii. Going concern
- iv. Money measurement concept
- v. Substance over form

(10 marks)

b) Accounting has developed over time, since traditional inception to date. Analyze the developments in the field.

(10 Marks)