



TECHNICAL UNIVERSITY OF MOMBASA

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

END OF SEMESTER EXAMINATION

SERIES:AUGUST 2024

TIME: 2 HOURS

DATE:Pick DateAug2024

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) Prepare a trading and P & L A/c for the year ending 31.03.2017 and a balance sheet as on that date from the following trial balance:

	Trial Balance	
	Dr. (sh.)	Cr. (sh.)
Opening stock	5,760	
Capital		62,000

Salaries	15,000	
Drawings	5,245	
Carriage on Purchases	2,040	
Carriage on sales	3,200	
Return inwards	680	
Return Outwards		500
Rent		9,000
Purchase	40,675	
Sales		98,780
Debtors	14,500	
Creditors		6,300
Machinery	20,000	
Building	32,000	
Freehold Land	10,000	
Wages	8,480	
Insurance Expenses	600	
General Expenses	3,000	
Patents	7,500	
Fuel and Power	4,730	
Cash	540	
Bank	2,630	
Total	176,580	176,580

Taking into account the following adjustments prepare trading and profit and loss account and balance sheet as on March 31, 2017:

- Stock in hand on March 31, 2017, was sh. 6,800.
- Machinery is to be depreciated at the rate of 10% and patents @ 20%.
- Salaries for the month of March, 2017 amounting to sh. 1,500 were outstanding.
- Insurance includes a premium of sh. 170 on a policy expiring on September 30, 2017.
- Further bad debts are sh. 725. Create a provision @ 5% on debtors.
- Rent receivable ` 1,000.

(20 Marks)

- Define Accounting and highlight FOUR users of financial accounting information (10 Marks)

Question TWO

Enter the Shyam Sunder & Sons transactions in their Journal. (20 Marks)

2017 April Particulars:

1 Shyam Sunder & Sons started a business with Cash sh. 75,000; Goods sh. 30,000 and Furniture sh. 5,000.

2 Sold goods to Bhushan of the list price of sh. 10,000 at a trade discount of 10%.

5 Paid cheque of sh. 30,000 to Chaturvedi and availed discount 2%.

10 Received from Bhushan sh. 8,000 in full settlement of his account.

- 12 Purchased Furniture for sh. 6,000. Purchased goods from Navin for sh. 25,000 less trade discount 12%.
- 15 Returned goods to Navin goods of the list price of sh. 2,000.
- 16 Cleared the account of Navin by applying cash, under a discount of 5%.
- 17 Sold goods to Ajay sh. 10,000 and Vijay sh. 16,000.
- 20 Received cash from Ajay sh. 9,800 in full settlement of his account. Paid insurance premium sh. 750.
- 22 Paid for Shyam Sunder's Life Insurance Premium sh. 1,200.
- 24 Purchased goods for sh. 8,000 for cash at a trade discount of 10% and a cash discount of 2%.
- 25 Received cash from Vijay at a cash discount of 5% in full settlement of his account.
- 30 Paid Rent sh. 800; Advertisement sh. 1,000; and Salaries sh. 4,000.
- 30 Received Commission sh. 500.

Question THREE

- a) Distinguish between trade and cash discounts. (4 marks)
- b) Enter the following transactions in cash book with cash, discount and bank columns. (16 Marks)

2006

Jan

- 1 Cash in hand Sh. 8,000
- 1 Bank balance Sh. 3,000
- 3 Purchased goods and paid by cheque Sh. 1,000
- 4 Sold goods for cash Sh. 500
- 5 Sold good for cash Sh. 300
- 6 Sale proceeds of Jan. 5 deposited in bank
- 9 Received from Mohan Sh. 400. Discount allowed to him Sh. 10
- 12 Withdrew by cheque for private use Sh. 500
- 14 Withdrew cash for private use Sh. 50
- 15 Paid bills payable Sh. 600
- 17 Paid to Suresh by cheque Sh. 400. He allowed discount Sh. 10
- 20 Received a cheque from Dina Nath in full settlement of his account of sh. 525 worth 500
- 21 Cheque of Dina Nath endorsed to Bhola Nath
- 23 Received a cheque from Nagendra and sent it Sh. 300 to bank. Discount allowed to him Sh. 8
- 25 In connection with cash sales received cash sh. 300 and cheque for sh. 500
- 27 Received cheque from Pramod which was deposited into the bank the same day Sh. 200
- 28 Deposited in bank Sh. 200
- 29 Received cheque from Hari and immediately sent it to bank Sh. 400. Discount allowed to him Sh. 10
- 30 Received cheque from Pramod Sh. 150. Discount allowed to him Sh. 10
- 30 Pramod's cheque endorsed to Kailash Sh. 150. He allowed discount Sh. 10
- 30 Bank notifies that Hari's cheque has been dishonored
- 30 Suresh paid directly into our Bank account Sh. 500
- 30 Bank notifies that Nagendra's cheque has been dishonored.

30 The bank has charged Sh. 50 for bank charges and allowed interest Sh. 300.

Question FOUR

- a) Elephant Sanctuary Reserve keeps proper books of accounts; discuss FIVE stakeholders who may find their accounts useful and the relevance of this information to the stakeholders. (10 marks)
- b) The Trial Balance of J Ltd for the year ended 31st December 2019 failed to agree and the difference of Sh. 81,000 was debited to a suspense account. Accounts were prepared on the basis of the Trial Balance and showed a net profit of Sh. 2,000,000. The following errors were subsequently discovered;
- i. The sale Day Book had been overcast by Sh. 9,000
 - ii. Discounts allowed of Sh. 61,200 correctly entered in the sales ledger had been posted to the wrong side of the discount allowed account in the nominal ledger.
 - iii. Cheque received from Doris, a customer amounting to Sh. 18,200 was entered correctly in the cash book but had been credited to the personal account as Sh. 12,800
 - iv. A credit balance of Sh. 27,000 on the personal account of Celestina in the bought ledger had been omitted from the Trial Balance.
 - v. A credit notes of Sh. 12,600 for goods returned by Ben, a customer had been entered twice in the returns inwards book and credited twice to the personal account of the customer.
 - vi. A payment of Sh. 39,000 on 30th December for repairs of Motor vehicles had been debited to the motor vehicles account.
 - vii. Part of the company's premises had been let as from 1st December 2019 at a monthly rent of Sh. 6,000. On 1st December, the tenant paid 3 month's rent in advance. This amount had been entered in the cash book, but no other entry had been made in any other account.

Required:

- a) The journal entries to correct the above errors. (6 Marks)
- b) Show the Suspense Account. (4 Marks)

Question FIVE

- a) Write short notes on the following:
- i. Materiality concept
 - ii. Entity concept
 - iii. Going concern
 - iv. Objectivity principle
 - 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)