TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR

DIPLOMA IN COMMUNICATION AND INFORMATION TECHNOLOGY

BAC 2150 : INTRODUCTION TO FINANCIAL ACCOUNTING

END OF SEMESTER EXAMINATION

SERIES: DECEMBER 2024

TIME: 2 HOURS

DATE: Dec 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 and any other TWO questions.

Do not write on the question paper.

Question ONE.

You are given the following information; Gross profit 7200 , Discount allowed 600, Insurance 200 Discount received 300, Bad debt recovered 500, Rent 700, Motor vehicle at cost 15000, Provision for depreciation on Motor vehicle 3000, Bank overdraft 1000, Closing stock 6000, Creditors 4000. The balancing figure is Capital.

Required: a) Prepare a Trial balance 12 marks

b) Prepare an Income statement. Note the following: Rent due 600 and Insurance prepaid 100. Depreciate Motor vehicle at 10% of book value. 8 marks

c) Prepare a statement of Financial Position. 10 marks

Question TWO

a The process of developing and reporting financial information to external decision makers is called financial accounting. External decision makers do not have direct access to the internal operations of the entity. You are required to list eight external users of financial statements. 4 marks

b When processing financial transactions, it is important to recognize the difference between CAPITAL EXPENDITURE and REVENUE EXPENDITURE, which leads to an error of Principle." Explain **the** implications of not recognizing the difference between the two when processing accounting transactions. Give an example of an error of Principle. 6 marks

c Classify the following into Capital and Revenue expenditure: Wages and salaries, Purchase of a new school bus, Purchase of an old school bus, extention of office block, Salaries paid on extention of office block, Fuel for school bus, Purchase of goods for resale, Painting of administration block, Rent and rates, cleaning material for office. 5 marks

d The **balance at bank** appearing in the **bank statement** in most cases **does not agree** with the **cash book balance**. Explain. 5 marks

Question THREE

a An accounting system usually includes use of information processing procedures called CONTROL ACCOUNTS,SUBSIDIARY LEDGERS, and SPECIAL JOURNALS. Required: Explain the relationship between them. 10 marks

b From the following information write the **Sales Ledger Control account** as it appears in the **General Ledger.** 6 marks

January 1st	Opening total debtors	40000
31st	Sales journal	260000
31st	Purchases journal	50000
31st	Discount allowed	20000
31st	Discount received	3000

31^{st}	Bad debts written off	10000
31^{st}	Closing total debtors	?

c Cash paid for rent Kshs 2000 was debited in the cashbook and credited in rent account. Which type of error is this? Pass a journal entry to rectify the error. 4 marks

Question FOUR

Mwana waffe talina mutawaana has the following entries in his cashbook:

BANK ACCOUNT

Oct 1	bal bf	14000	Oct 2	Jamilah	1000
4	Anwar	7000	4	Fatma	14000
8	Bibimaria	6000	28	Matata	3000
			31	Nunu	5000
		.		Bal cd	4000

On 31st October he received the following bank statement

		DR	CR	BALANCE
Oct 1	Opening balance			14000
4	Anwar		7000	21000
4	Jamilah	1000		20000
5	fatma	14000		6000
8	Credit transfer		19000	25000
10	Standing order	5000		20000
28	Bank charges	1000		19000
31	Direct debit	20000		(1000)

Required a Updated cashbook and bank reconciliation statement of Mwana waffe talina mutawaana. 14 marks c Prepare a trial balance from the following, put the missing figure for capital: 6 marks

Land & buildings	5000
Bank overdraft	1000
Loan from uncle	2000
Accounts receivable	3000
Loan to an employee	1000
Capital	?

Question FIVE

- Write brief explanatory notes on **Errors** not affecting the agreement of a **Trial Balance** giving **examples** of each. 6 marks
- Taru and Mbeta are partners who share profits equally. The Net profit before appropriations was 300000. The following relevant data is provided:

	TARU	MBETA
	KSHS	KSHS
Capital account	60000	120000
Current account credit balance	4000	5000
Salary	30000	_
Drawings	40000	50000
Interest on capital	10%	10%
Interest on drawings	20%	20%

REQUIRED: Partners appropriation account and Current accounts. 14 marks