



TECHNICAL UNIVERSITY OF MOMBASA
SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR

**DIPLOMA IN COMMUNICATION AND INFORMATION
TECHNOLOGY :**

SPECIAL / SUPPLEMENTARY EXAMINATION

SERIES: MARCH 2025

TIME: 2 HOURS

DATE: August 2024

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of questions. Attempt.

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 M 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, extension of office block, Salaries paid on extension 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 1 st	Opening total debtors	40000
31 st	Sales journal	260000
31 st	Purchases journal	50000
31 st	Discount allowed	20000
31 st	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	<u>4000</u>

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

