**TECHNICAL UNIVERSITY OF MOMBASA**

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

**UNIVERSITY EXAMINATION FOR:**

DIPLOMA IN ACCOUNTANCY 1

BAC 2104: FINANCIAL ACCOUNTING

END OF SEMESTER EXAMINATION

**SERIES: DECEMBER, 2024**

**TIME:** 2HOURS

**DATE: DECEMBER, 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)** Discuss any Six users of accounting information in each case explaining their information needs **(12 marks)**

(b) Kamel Traders started business on 1 January 2024 by depositing Ksh 500,000 into a bank account. During the month, the following transactions took place.

| | | |
|---|---|---|
| **January** | 2 | Withdrew Ksh 150,000 from the bank for office use. |
| | 3 | Bought stationery for Ksh 5,000 in cash. |
| | 4 | Bought office furniture for Ksh 7,800 from Mbao Traders on credit. |
| | 5 | Bought goods for Ksh 25,000 and paid by cheque. |
| | 9 | Made cash sales for Ksh 45,000. |
| | 15 | Purchased goods for Ksh 240,000 and paid by cheque. |
| | 17 | Cash sales amounted to Ksh 450,000 |
| | 18 | Deposited Ksh 25,000 of the office cash into bank account. |
| | 25 | Settled the amount due to Mbao Traders in cash. |
| | 28 | Paid electricity expenses of Ksh 12,500 by cheque. |
| | 31 | Paid salaries of Ksh 45,000 in cash. |

Prepare ledger accounts to record the transactions above and extract a trial balance as at 31st January, 2024. **(18 marks)**

**QUESTION TWO**

The following trial balance was extracted from the book of Maki Enterprises at 31st December 2023.

| | (Sh.) | (Sh.) |
|---|---|---|
| Capital | | 500,000 |
| Inventory | 50,000 | |
| Machinery | 500,000 | |
| Motor vehicles | 160,000 | |
| Provision for depreciation: | | |
| Machinery | | 40,000 |
| Motor vehicles | | 32,000 |
| Purchases | 720,000 | |
| Sales | | 1,200,000 |
| Return inwards | 80,000 | |
| Return outwards | | 40,000 |
| Wages and salaries | 120,000 | |
| Discounts allowed | 10,000 | |
| Discount received | | 8,000 |
| Carriage inwards | 5,000 | |
| Postage and telephone | 6,000 | |
| Water and electricity | 15,000 | |
| Bad debts | 3,000 | |
| Allowance for doubtful debts | | 2,000 |
| Rent and rates | 17,000 | |
| Accounts receivable | 110,000 | |
| Accounts payable | | 93,000 |
| Cash in hand | 12,000 | |
| General expenses | 30,000 | |
| Cash at bank | 77,000 | |
| | 1,915,000 | 1,915,000 |

Additional information;

(i) Inventoryas at 31 December 2023. was valued at Ksh.45,000.

(ii) Depreciation is to be charged at 15% per annum on cost of machinery and 20% per annum on the book value of motor vehicles

(iii) Accrued rent was Ksh.6,000 and prepaid rates were Ksh.2,000 as at 31st December 2023..

(iv) Allowance for doubtful debts is to be maintained at 3% of debtors.

**Prepare:**

**a.** Income statement for the year ended 31st December 2023. **(12 marks)**

**b.** Statement of financial position as at 31st December 2023. **(8 marks)**

**QUESTION THREE**

(a) On 31 October 2011, the cash book of Malian Traders had a balance of Ksh 50,000 while the bank statement showed a credit balance of Ksh 89,430. The following discrepancies were discovered.

- The bank had collected dividends amounting to Ksh 72,000.
- Dishonoured cheques were Ksh 45,520.
- A cheque deposit for Ksh 850 was recorded as Ksh 8,500.
- Bank charges amounted to Ksh 1,500.
- A cheque received for Ksh 9,450 was recorded as Ksh 4,950.
- Standing orders for Ksh 4,000 had been paid.
- Uncredited cheques amounted to Ksh 12,400.
- Unpresented cheques were for Ksh 8,500.
- Direct deposits were Ksh 5,500.
- Credit transfers were Ksh 4,700.

(i) Update the cash book.
(ii) Prepare a bank reconciliation statement as on 31 October 2011. **(12 marks)**

(b) Explain each of the following accounting concepts:
(i) Going concern
(ii) Accrual
(iii) Materiality
(iv) Consistency **(8 marks)**

**QUESTION FOUR**

(a) Explain any Four purposes of preparing accounts. **(8 marks)**

(b) On 1 May 2012 Tura Traders had Ksh 300,000 cash at bank and Ksh 170,000 cash in hand. During the month, the following transactions took place.

May 3 Cash sales amounted to Ksh 520,400 while cash purchases were Ksh 344,400.
4 Paid Mutiso Ksh 180,000 by cheque less 5% cash discount
14 Received Ksh. 263,200 in cash from Ali after having allowed 6% cash discount
16 Deposited Ksh 50,000 into the bank from the cash till.
17 Paid wage Ksh 48,000 in cash.
18 Paid Wanja Ksh 340000 in cash in full settlement after deducting 15%

cash discount.

22 Received a cheque for Ksh 190,000 from Anyango after allowing her 5% cash discount.

25 Withdraw Ksh 150,000 from bank for office use.

28 Paid Ksh 12,000 for electricity in cash.

30 Paid wages Ksh 48,000 in cash.

31 Deposited all the cash into bank except Ksh 120,000.

Prepare a Three-column cash book duly balanced. **(12 marks)**

**QUESTION FIVE**

a) The following is the receipts and payment account for Hunnah Club for the year ended 31 December 2023

**Receipts**

| | Ksh. |
|---|---|
| Member's subscriptions | 382,000 |
| Donations | 1,950,000 |
| Total receipts | 2,332,000 |

**Payments**

| | Ksh. |
|---|---|
| Stationery | 15,000 |
| Electricity | 42,000 |
| Salaries and wages | 610,000 |
| Rent | 240,000 |
| Furniture | 335000 |
| Total payments | 1,242,200 |

**Balances as at:**

| | 1 January 2023 Ksh. | 31 December 2023 Ksh. |
|---|---|---|
| Prepaid subscriptions | - | 30,000 |
| Accrued subscription | 60,000 | 10,000 |
| Rent | - | 20,000 |

For the year ended 31 December 2023, prepare:

(i) Receipts and payments account; **(6 Marks )**

**(ii)** Income and expenditure account. **(6 marks)**

b) Discuss Four errors that don't affect trial balance agreement **(8 Marks)**