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: JULY, 2025

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.

Question One

a) Explain each of the following accounting concepts
i)Going concern concept **(1Marks)**
ii)Accruals concept/Matching concept **(1Marks)**
iii)Duality concept **(1Marks)**
v)Prudence concept **(1Marks)**

b) From the following transactions prepare relevant ledger accounts and trial balance as at 31.12. 2023.

1. A trader started business by introducing shs. 50,000 into the business banks account.
2. He purchased building shs 1,000 by cheque.
3. He purchased goods on credit for shs 500.
4. He sold some of the goods later on for shs 200 on credit.
5. He decided to borrow loan from a lender totalling shs 1,000 cash.
6. He took some cash totalling shs100 from the business for personal use.
7. He returned some goods to the supplier worth shs 100.
8. Customers returned goods to the trader worth shs 50. **(12 Marks)**

c)In relation to the scope of accounting, there are a number of people and groups that are interested in company's accounts. List down FOUR users of financial statements explaining clearly the need of each user. **(4 Marks)**

(d)In relation to bank reconciliation, explain how the following terms cause difference between the bank statement and cash book balances:

i)	Unpresented cheques	**(3 marks)**
ii)	Outstanding lodgments/uncredited cheques	**(3 marks)**
iii)	Standing order	**(2 marks)**
iv)	Direct debit	**(2 marks)**

Question Two

On examining the books of Exports Co, you ascertain that on 1 October 20X8 the receivables ledger balances were shs 8,024 debit and shs57 credit, and the payables ledger balances on the same date shs 6,235credit and $105 debit.

For the year ended 30 September 20X9 the following particulars are available.

	shs
Sales	61,400
Purchases	39,974
Cash from trade accounts receivable	55,212
Cash to trade accounts payable	37,307
Discount received	1,475
Returns inwards	1,002
Returns outwards	535
Irrecoverable debts written off	326
Cash received in respect of debit balances in payables ledger	105

Amount due from customer as shown by receivables ledger, offset against amount due to the same firm as shown by payables ledger (settlement by contra) sh. 434

Allowances to customers on goods damaged in transit sh. 212

On 30 September 20X9 there were no credit balances in the receivable ledger except those outstanding. On 1 October 20X8, and no debit balances in the payable ledger.

Required:

Write up the following accounts recording the above transactions bringing down the balances as on30 September 20X9.

(a) Receivables control account **(10 Marks)**

(b) Payables control account **(10 marks)**

Question Three

From the following information extracted from XY Sole Traders trial balance, prepare:

a) Statement of profit or loss (income statement) for the year ended 31.12.2023

(10 Marks)

b) Statement of financial position (balance sheet) as at that date. **(10 Marks)**

Accounts	Dr (shs)	Cr (shs)
Inventory 1.1.2023	2,368	
Carriage Outwards	200	
Carriage Inwards	310	
Returns Inwards	205	
Returns Outwards		322
Purchases	11,874	
Sales		18,600
Wages and Salaries	3,862	
Rent	304	
General Expenses	166	
Insurance	78	
Motor expenses	664	
Office Expenses	216	
Light & Heat	314	
Motor Vehicle	1,800	
Equipment	350	
Receivable	3,896	
Payable		1,731
Bank	482	
Drawings	1,200	
Capital		12,636
Premises	5,000	
	33,289	33,289

Inventory at 31.12.2010 was valued at shs2946.

Question Four

a) Explain the meaning of the following errors:

i) Error of principle **(1 Mark)**

ii) Error of commission **(1Mark)**

iii) Error of omission **(1Mark)**

iv) Error of original entry **(1Mark)**

v) Error of complete reversal of entries **(1Mark)**

b) i) Explain the purpose of suspense account (3Marks)

ii) As a chief accountant of TIFFANY Company you realise that the bookkeeper has prepare a trial balance that does not agree. The debit balance total is shs.85240 while credit total is shs.102800.You also discover the following errors:

1. Arent payment of kshs.350 in March 20x7 had been debited to the receivable ledger control account in error.

2. Bad debts of Kshs.500 during the year ended 30 April 20x7 have not been recorded in the books.

3.No entry has been made for the refund of kshs.2620 made by cheque to WOOLF in march 20x7, in respect of defective goods returned to TIFFANY.WOOLF had already paid for the goods returned on 28th February 20x7.

4 The total column of the cash receipts book had been overcast by KSHS.1900 in march 20x7

5. The purchase of stationary for KSHS.1460 cash in June 20x6 has been correctly entered in the cash account, but no entry has been made to the appropriate expense account.

6) Capital of kshs.35000 has been recorded incorrectly as kshs.53000

Required:

1. Journal entries to correct the above errors (**6Marks)**

2. A suspense account showing how it is cleared **(6Marks**)

Question Five

a) Explain the following terms in the context of partnership accounts.

i) Partnership agreement **(2Marks)**

ii)Partners capital accounts **(2Marks)**

iii)Appropriation account **(2marks)**

iv) Partners current account **(2Marks)**

b) Ravi, Sumit and Thomas are in a partnership with a financial year-end of 31 July. On 1st August 20X5, the credit balances on the current accounts for each partner were shs 3,000, shs 5,000 and shs10,000, respectively.
The partnership has made a profit of shs 80,000, and the Statement of Appropriation of Profit shows that the profit share is shs 27,000 to Ravi, shs 23,000 to Sumit and shs 30,000 to Thomas.
The drawings for the year of each partner are as follows, Ravi shs 25,000, Sumit shs 20,000 and Thomas shs 50,000.

Required:

Prepare partners current account (**12 Marks)**