TECHNICAL UNIVERSITY OF MOMBASA

School of Business

Department of Accounting & Finance

UNIVERSITY EXAMINATION FOR:

BACHELOR OF SCIENCE IN MATHS AND FINANCE

BAC 4150: FINANCIAL ACCOUNTING 1

ORDINARY EXAMINATION

SERIES: DECEMBER 2024

TIME:2HOURS

DATE: Pick DateDec2024

Instructions to Candidates
You should have the following for this examination
-Answer Booklet, examination pass and student ID
This paper consists of **FIVE** questions. Attemptquestion ONE (Compulsory) and any other TWO questions.
Do not write on the question paper.

Question ONE (2*15 MARKS)

MC1.The rules of debit and credit for a balance sheet says that _______. (2MARKS)

A. A decrease in asset and liability accounts is recorded as a credit transaction
B. An increase in asset and owner's equity accounts is recorded as a debit transaction
C. A decrease in liability and owners' equity accounts is recorded as a credit transaction
D. An increase in asset, liability and owners' equity accounts is recorded as a debit transaction

MC2. In the accounting cycle _______. (2MARKS)

A. Journal entries get posted to the appropriate ledger accounts
B. Transactions are posted before they are journalised
C. A trial balance is prepared after journal entries get posted
D. Both a and c are correct

MC3.Which of the financial statements gets prepared first? (2MARKS)

A. Statement of cash flows
B. Statement of retained earnings
C. Balance sheet
D. Income statement

MC4.The assets that can be converted into cash within a year are known as _______. (2MARKS)

A. Investments
B. Intangible assets
C. Current assets
D. None of the above

MC5.The _________ is a statement that shows the financial status of a company at any given time. (2MARKS)

A. Balance sheet
B. Trading account
C. Profit and loss statement
D. Trial Balance

MC6.Which of the following is a current liability for the firm? (2MARKS)

A. Bank overdraft
B. Bills payable
C. Outstanding expenses
D. All of the above

MC7. To find the value of closing stock at the end of a period we….(2MARKS)

A. do this by stocktaking
B. look in the stock account
C. deduct opening stock from cost of goods sold
D. deduct cost of goods sold from sales.

MC8. Carriage inwards is charged to the trading account because…(2MARKS)

A. It is an expense connected with buying goods
B. It should not go in the balance sheet
C. It is not part of motor expenses
D. Carriage outwards goes in the profit and loss account.
E.

MC9. The credit entry for net profit is on the credit side of.. (2MARKS)

A. The trading account
B. The profit and loss account
C. The drawings account
D. The capital account.

MC10. Posting' the transactions in bookkeeping means (2MARKS)

A. Making the first entry of a double entry transaction
B. Entering items in a cash book
C. Making the second entry of a double entry transaction
D. Something other than the above

MC11. Of the following, which are correct? (2MARKS)

	Account to be debited	Account to be credited
(i) Goods sold on credit to R Williams	R Williams	Sales
(ii) S Johnson returns goods to us	Returns inwards	S Johnson
(iii) Goods bought for cash	Cash	Purchases
(iv) We returned goods to A Henry	A Henry	Returns inwards

A. (i) and (iii) only
B. (i) and (ii) only
C. (ii) and (iv) only
D. (iii) and (iv) only

MC12. The descending order in which current assets should be shown in the balance sheet is.. (2MARKS)

A. Stock, Debtors, Bank, Cash
B. Cash, Bank, Debtors, Stock
C. Debtors, Stock, Bank, Cash
D. Stock, Debtors, Cash, Bank.

MC13 Given the following, what is the amount of Capital? Assets: Premises £20,000; Stock £8,500; Cash £100. Liabilities: Creditors £3,000; Loan from A Adams £4,000 (2MARKS)

A. £21,100
B. £21,600
C. £32,400
D. £21,400

MC14. Which of the following best describes a trial balance? (2MARKS)

A. Shows the financial position of a business
B. It is a special account
C. Shows all the entries in the books
D. It is a list of balances on the books

MC15. Is it true that the trial balance totals should agree? (2MARKS)

A. No, there are sometimes good reasons why they differ
B. Yes, except where the trial balance is extracted at the year end
C. Yes, always
D. No, because it is not a balance sheet

Question TWO

The following trial balance was extracted from the books of CHAI at the close of the business on 30th April, 2024.

	Dr	Cr
	Kshs.	Kshs.
Purchases	1,128,000	
Cash at bank	114,000	
Cash in hand	21,000	
Capital account 1 May 2023		990,000
Drawings	285,000	
Office furniture	144,000	
Rent	102,000	
Wages and salaries	258,000	
Discount allowed	69,000	
Discount received		36,000
Debtors	492,000	
Creditors		249,000
Stock 1 May 2023	297,000	
Provision for bad and doubtful debts as at 1 May 2023		27,000
Delivery van	240,000	
Van running costs	45,000	
Bad debts written off	81,000	
Sales for the year		1,974,000
	3,276,000	3,276,000

Notes:

(a) Stock 30 April 2018 shs.351,000
(b) Wages and salaries accrued at 30 April 2018 sh.9,000
(c) Rent prepaid at 30 April 2018 shs.14,000
(d) Van running costs owing at 30 April 2018 sh.6,000
(e) Increase the provision for bad and doubtful debts by sh.6,000
(f) Provide for depreciation as follows: Office furniture sh.18, 000; Delivery van shs.48, 000.

Required

a. The trading and profit and loss account for the year ending 30 April 2024 (12marks)
b. Balance sheet as on 30 April 2024. (8 marks)

Question THREE

The following extracts have been taken from the subsidiary books of the business owned by Mashaka Ltd as had revealed a difference in the books.

2017		Kshs.
Jan 1	Purchases ledger balances	11,874
	Sales ledger balances	19,744
	Totals for the year 2017	
	Purchases journal	154,562
	Sales journal	199,662
	Returns outward journal	2,648
	Returns inwards journal	4,556
	Cheques paid to suppliers	146,100
	Petty cash paid to suppliers	78
	Cheques and cash received from customers	185,960
	Discount allowed	5,830
	Discount received	2,134
	Balances on the sales ledger set off against balances in the purchases ledger	1,036
Dec 31		

The list of balances from the purchases ledger shows a total of Kshs. 14,530 and that from the sales ledger a total of Kshs. 22,024.

Required:

a) Prepare the Sales ledger Control account and (10 marks)

b) Purchases ledger Control account showing where the error may have been made.

(10marks)

(20 MARKS)

Question FOUR

At 1 September the financial position of Sara Young's business was:

	KSHS
Cash in hand	80
Balance at bank	900
Debtors – Abdalla Chamtu Elisha	200 500 300
Stock	1000

Creditors – Gharib Imani	600 1400

During September:

i. The three debtors settled their accounts by cheque subject to a cash discount of 4%.
ii. A cheque for £100 was cashed for office use.
iii. Gharib was paid by cheque less 7.5%.
iv. Imani's account was settled, subject to a discount of 5%, by cheque.
v. Wages of £130 were paid in cash.

Required:

(a) Open a three-column cash book and the accounts for the debtors and creditors at as

1st September. (12MARKS)

(b) Record the above transactions for September. (8MARKS)

Question FIVE

a. State five persons who are beneficiaries of the financial statements.(10 MARKS)

b. Briefly explain the following accounting concepts:

   i. Going concern
   ii. Money measurement concept
   iii. Cost concept
   iv. Business entity
   v. Accrual concept (10 MARKS)