TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF HUMANITIES AND SOCIAL SCIENCES

DEPARTMENT OF HOSPITALITY & TOURISM MANAGEMENT

UNIVERSITY EXAMINATION FOR THE:

DIPLOMA IN TOURISM MANAGEMENT (DTM S23)

BAC 2104: FINANCIAL ACCOUNTING

END OF SEMESTER 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.

SECTION A (Answer all the questions) **30 POINTS**

QUESTION ONE

a) Define the trial balance, and discuss its four primary objectives. (10 marks)

b) State the Accounting equation and describe the terms there in with clear examples. (6 marks)

c) List and explain five accounting concepts. (10 Marks)

d) Distinguish the following terms: (4 Marks)

i. Carriage inwards and carriage outwards

ii. Returns inwards and returns outwards

SECTION B (Answer only TWO questions)

QUESTION TWO

The following trial balance was extracted from the books of Kingslanding Traders as at 31 December 2018.

Trial Balance as at 31 December 2018

	Dr	*Cr*
	$	$
Premises	689,000	
Fixtures and equipment	147,820	
Accounts receivable and payable	263,400	238,900
Inventory as at 1 January 2018	149,500	
Purchases and sales	970,650	1,620,570
Carriage inwards	15,900	
Returns inwards and outwards	22,640	17,510
Wages and salaries	290,740	
Rates and insurance	45,600	
Sundry expenses	27,800	
Discounts allowed and received	26,800	13,500
Cash at bank	72,900	
Capital and drawings	260,000	1,092,270
	2,982,750	2,982,750

Inventory as at 31 December 2018 was valued at $189,200.
Required:

Prepare an income statement for the year ended 31 December 2018 and a balance sheet as at the same date.

(20 Marks)

QUESTION THREE

a) For financial accounting information to be useful to the various stakeholders of a business entity, some qualitative characteristics should be adhered to. List and explain the four principal qualities of useful financial information. (8 marks)

b) Highlight four users of accounting information and briefly explain their specific information needs. (8 marks)

c) List and briefly explain four errors that are not revealed by the trial balance. (4 marks)

QUESTION FOUR

a) Arya keeps her petty cash book on the imprest system. The imprest amount is $3,000. On 1 October 2018, petty cash in hand was $2,344. The following transactions took place during the month:

2018			£
Oct	1	Petty cash restored to the imprest amount	
"	5	Postage stamps	50
"	6	Taxi fares	90
"	8	Petrol for the motor van	300
"	10	Ballpoint pens and paper	200
"	11	Bus fares	15
"	16	Stamps	100
"	18	Magazines	16
"	21	Motor van repairs	600
"	23	Envelopes	40
"	24	Petrol for the motor van	310
"	28	Courier charge	120
"	31	Cinema tickets for staff	280

Required:

Record the above transactions in a petty cash book with analysis columns for postage, travelling, motor expenses, stationery, sundry expenses and ledger account. Show the balance carried down to 1 November 2018 and the restoration of the cash float. (14 marks)

b) List and briefly explain three source documents used to capture a business entity's transactions. (6 marks)

QUESTION FIVE

Drogon is a sole trader who keeps records of cash and bank transactions in a three-column cash book. The cash book had the following opening balances as at 1 October 2018: cash $84,000 and bank $44,227. Drogon made the following transactions in the month of October 2018.

2018

Oct 1 A cash sum of $30,000 was received from John Lui, a customer, in full settlement of his account of $32,100.

" 3 Drogon paid $21,850 by cheque to Daisy, a supplier, to settle the account. The cheque amount was after the deduction of a cash discount of 5% received from Daisy.

" 10 Paid wages of $12,300 by cheque.

" 14 Paid $3,220 in cash to setttle the account of Mickey, a supplier.

" 15 Made cash sales of $54,830.

" 18 Deposited $8,000 cash into the business bank.

" 19 Paid $32,900 by cheque for salaries.

" 26 Cash sales receipts of $13,300 were banked.

" 30 Received $40,000 cash from a customer in settlement of his account of $42,000. Drogon banked the remaining sum after withholding $10,000 for private use.

Required:

Prepare a three-column cash book to record the above transactions and balance the cash book as at 31 October 2018. (20 marks)