TECHNICAL UNIVERSITY OF MOMBASA

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SCHOOL OF HUMANITIES & SOCIAL SCIENCES

DEPARTMENT OF HOSPITALITY & TOURISM MANAGEMENT

BACHELOR OF TECHNOLOGY IN HOSPITALITY MANAGEMENT& BACHELOR OF SCIENCE IN TOURISM MANAGEMENT(BTHMS23 &BSTMS24)

UNIVERSITY EXAMINATION FOR:

# BAC 4140/4240: INTRODUCTION TO PRINCIPLES OF ACCOUNTING/ FINANCIAL ACCOUNTING

END OF SEMESTER EXAMINATION

SERIES: APRIL 2025

TIME: 2HOURS

DATE: APRIL 2025

**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 1 (COMPULSORY)

The following information related to the books of Jayalo who was running a hotel in Tudor as a sole proprietor, for the month of January 2022

Jan 1 Balances brought forward from 2022 Delivery vans sh 233,000, Stationery sh 24,000, Machinery sh 46,000. Creditors included: Sakaja sh 21,000, Ali sh 12,400. Debtors included Musamali sh 31,900, Juma sh 11,000. Cash in hand amounted to sh 632,000 and cash at bank amounted to sh 754,550.

Jan 2 Bought office furniture worth sh 40,000, stationery worth sh 20,000 and delivery van worth 150,000, paying all by cheque.

Jan 3 Bought goods worth sh 90,000 from Sakaja, sh 60,000 from Ndegwa and sh 45,000 from Ali all on credit.

Jan 4 Sold goods worth sh 75,000 for cash

Jan 6 Sold goods worth sh 80,000 to Juma, sh 15,000 to Khalid and sh 18,000 to Musamali all on credit.

Jan 8 Sh 9,000 worth of goods that had been bought from Sakaja were returned to him for being defective.

Jan 9 Bought goods on credit from Masika sh 34,000, Sakaja sh 21,000, Ali sh 29,900.

Jan 10 Jayalo returned some of the furniture he had bought worth sh 8,000 and he was paid back by cash.

Jan 14 Paid cheques of sh 65,000 to Sakaja, sh 25,000 from Ndegwa being partial payment for debt they owed.

Jan 15 Paid Ali his account by cash after a discount of 5% was deducted.

Jan 16 Received cash from Khalid sh 10,000, Musamali sh 12,000 and a cheque of sh 50,000 from Juma.

Jan 17 Received a cheque from Khalid of sh 3,100 being the full settlement of his account.

Jan 23 Paid salaries to his two employees sh 28,000 by cash.

Jan 25 Withdrew sh 65,000 from the bank and brought it into the business safe for use in the business

Jan 28 Bought Office equipment worth sh 30,000 paying by cheque.

Jan 30 Took sh 14,300 from the bank and paid school fees for his elder son

**Required**

(i) Enter the above transactions in the relevant ledger accounts and balance them off at the end of January 2023 and calculate the capital. (18 marks)

(ii) Extract a trial balance from the ledger accounts in (i) above (12 marks)

**QUESTION TWO**

a) You have extracted a trial balance and drawn up accounts for the year ended 31 December 2022. There was a shortage of £78 on the credit side of the trail balance, a suspense account being opened for that amount.

During 2023 the following errors made were found:

i. £125 received from sales of old office equipment has been entered in the sales account.
ii. Purchases day book had been overcast by £10.
iii. A private purchase of £140 had been included in the business purchases.
iv. Bank charges £22 entered in the cash book have not been posted to the bank charges account.

v. A sale of goods to K Lamb £230 was correctly entered in the sales book but entered in the personal account as £320.

**Required:**

a. Show the requisite journal entries to correct the errors. (5 marks)

b. Write up the suspense account showing the correction of the errors. (3 marks)

c. The net profit originally calculated for 2022 was £28,400. Show your calculation of the correct figure. (2 marks)

b) Discuss sources of finance in the tourism and hospitality industry (10 marks)

**QUESTION THREE**

The following trial balance was extracted from the books of Kianjokoma at the end of 31st December 2023

| | Debit | Credit |
|---|---|---|
| | Shs | Shs |
| Sales | | 620,000 |
| Purchases | 310,000 | |
| Motor vehicle at cost | 105,000 | |
| Sales returns | 6,100 | |
| Discount received | | 4,250 |
| Discount allowed | 4,700 | |
| Plant and Machinery | 198,400 | |
| Stock 1st January 2023 | 178,120 | |
| Rates | 5,700 | |
| Bank balance | 35,800 | |
| Capital | | 355,130 |
| Purchases returns | | 4,600 |
| Rent | 7,700 | |
| Insurance | 3,950 | |
| Debtors /creditors | 11,500 | 9,700 |
| Bad debts | 1,100 | |

| | | |
|---|---|---|
| Provision for bad and doubtful debts | | 990 |
| Wages and salaries | 63,200 | |
| Furniture at cost | 41,300 | |
| Telephone | 2,300 | |
| Drawings | 19,800 | |
| | 994,670 | 994,670 |

Additional information

(i) Closing stock at 31st December 2023 shs.154,200
(ii) Accrued wages shs.9,710
(iii) Rates prepaid shs.1,300
(iv) The provision of bad debts to be increased to 9.5% of debtors
(v) Telephone outstanding shs.850
(vi) Depreciate furniture at 6% per annum, plant and machinery at 9% per annum and motor vehicles at 11% per annum on cost.

**Required**:

a) Trading, profit and loss account for the year ended 31st December 2023 (10 marks)
b) Balance sheet as at that date (10 marks)

**QUESTION FOUR**

Kizingo Ltd bank statement dated Dec 31, 2023shows a balance of sh 25,594.78. The company's cash records on the same date show a balance of sh 24,176.54. Following additional information is available:

Following cheques issued by the company to its customers are still outstanding:

| | |
|---|---|
| No. 26 issued on Nov 21 | Sh 350.00 |
| No. 35 issued on Dec 16 | 66.41 |
| No. 48 issued on Dec 19 | 305.00 |
| No. 51 issued on Dec 21 | 216.50 |

c) A deposit of sh 600.00 made on Dec 31 does not appear on bank statement.
d) A cheque of sh 990 was returned by the bank with the bank statement because the account did not have sufficient funds.
e) The bank charged sh 120 as service fee.

f) Interest income earned on the company's average cash balance at bank was sh 1,420.33.

g) The bank collected a note receivable on behalf of the company. Amount received by the bank on the note was sh 710. This includes sh 60 interest income. The bank charged a collection fee of sh 30.

h) A deposit of sh 540 was incorrectly entered as sh 450 in the company's cash records.

**Required:**

i) Draft a bank reconciliation statement to adjust the transactions (12 marks)

ii) Draft the adjusted cashbook to show the adjustments (8 marks)

**QUESTION FIVE**

a) Discuss any six basic accounting Concepts (12 marks)

b) Discuss four errors that do not affect the trial balance (8 marks)