



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Engineering & Technology

DEPARTMENT OF COMPUTER SCIENCE & INFORMATION TECHNOLOGY

DIPLOMA IN INFORMATION COMMUNICATION AND TECHNOLOGY

BAC 2120: INTRODUCTION TO ACCOUNTING

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: MARCH 2014

TIME: 2 HOURS

INSTRUCTIONS:

- This paper consists of **FIVE** questions.
- Answer question **ONE (Compulsory)** and any other **TWO** questions.

This paper consists of Five printed pages.

QUESTION 1 (Compulsory)

The following balances were extracted from Solo, a trader as at 31st December 2007.

	Shs.
Bank balance	68,800
Drawings	113,800
Sales	1,222,000
Provision for doubtful debts	9,500
Purchases	944,000
Stock 1 st Jan. 2007	134,000
Bad debts	12,400
Return outwards	49,000
Returns inwards	121,000
Discount received	125,000
Discount allowed	111,000
Salaries and wages	237,000
Insurance	62,700
Travelling	87,600
24% loan from bank	45,000
General expenses	118,000
Trade debtors	190,000
Motor vehicle at cost	1,400,000
Plant and machinery at cost	153,000
Provision for depreciation:	
Plant and machinery	76,500
Motor vehicles	350,000
Creditors	200,000
Capital	1,623,000

Additional information:

- i) Closing stock was valued at shs. 146,000 as at 31st December 2007.
- ii) Insurance paid in advance amounted to sh. 12,700 while accrued salaries and wages sh. 27,200.
- iii) Solo had taken goods worth sh. 44,000 from the business for his own use.
- iv) The travelling expenses included personal travelling of sh. 36,500
- v) The depreciation of fixed assets is provided on plant and machinery at 10% p.a on cost and on motor vehicles at 25% p.a on book value.
- vi) Provision for doubtful debts is maintained at 3% at trade debtors.

Required:

- a) Income statement for the year ended 31st December 2007.
- b) Balance sheet as at that date.

(30 marks)

QUESTION 2

On 31st December 2012, the bank column of Musomba's cashbook showed a debit balance of sh. 150,000. The monthly bank statement written up to 31st December 2012 showed a credit balance of sh. 295,000.

On checking the cashbook with the bank statement it was discovered that the following transactions had not been entered in the cashbook:

- i) Dividends of shs. 24,000 had been paid directly into the bank account.
- ii) A credit transfer KRA VAT refund of shs. 26,000 had been collected on behalf of Musomba by the bank.
- iii) Bank charges amounted to sh. 3,000
- iv) A direct debit of sh. 7,000 for Kisii sports club subscription had been paid by the bank
- v) A standing order of sh. 20,000 for Musomba's loan repayment had been paid by the bank
- vi) Musomba's deposit account balance of shs. 140,000 was transferred into his bank current account.
- vii) The cheques drawn in favour of Tom Omondi sh. 25,000 and Frank Momanyi sh. 29,000 had been entered in the cashbook but had not been presented to the bank for payment by cheque amounting to shs. 69,000 had been paid into the bank on 31st December 2012 but were not credited by the bank until 2nd January 2013.

Required:

- a) Updated cashbook.
- b) A bank reconciliation statement as at 31st December 2012.

(20 marks)

QUESTION 3

The following details relate to the business of Mr. Baker for the month of January 2008.

2009

January	1 st	Bought goods on credit from Peter sh. 4,300
	3 rd	Credit sales to Halima shs. 1,600
	6 th	Bought goods on credit from Mwilu Ksh. 7,400
	9 th	Goods returned to Peter sh. 300
	17 th	Credit sales to Mwikali sh. 12,000
	21 st	Goods returned by Halima sh. 200
	25 th	Credit purchases from Wafula sh. 500
	31 st	Goods returned by Mwikali shs. 1,000

Required

- a) Relevant books of original entry to record the above transactions. **(6 marks)**
- b) Relevant ledger account. **(6 marks)**
- c) Trial balance as at 31st January 2009. **(8 marks)**

QUESTION 4

- a) State and explain any **FIVE** error that would not affect the agreement of the trial balance. **(10 marks)**
- b) The following errors were committed in the books of Johnson a business man.
- i) A sale of goods for shs. 4,120 to T.more had been entered in T.mone's account.
 - ii) The purchase of a machine on credit from J. Frank for shs. 6,190 had been completely omitted from the books.
 - iii) The purchase of a computer for sh. 5,500 had been entered in error in the office expenses account
 - iv) A sale of shs. 12,00 to B. hood had been entered in the books, both debit and credit as sh. 1,2020
 - v) Commission received sh. 1,640 had been entered in error in the sale account.

Required:

Journal entries to correct the above errors.

(10 marks)

QUESTION 5

- a) The following summarized Trading Profit and Loss account relate to Kwangu Traders for the year ended 30th June 2008:

	Shs.
Sales	1,406,250
Less: cost of sales	
Opening stock	320,000
Add purchases	<u>651,250</u>
	971,250
Less closing stock	<u>465,000</u>
	506,250
Gross Profit	900,000
Less: expenses	<u>618,750</u>
Net Profit	<u>281,250</u>

Additional information:

On 30th June 2008, the net fixed assets were sh. 937,500 current assets were sh. 600,000 and current liabilities shs. 375,000.

Required:

- i) Gross profit margin
- ii) Net profit margin
- iii) Return on capital employed
- iv) Stock turnover
- v) Current ratio.

(10 marks)

b) I) What are the differences between profit making organisation's and non-profit making organisation. **(4 marks)**

II) Write short notes on the following accounting concepts:

i) Prudence

ii) Going concern

iii) Consistency

(6 marks)