



# TECHNICAL UNIVERSITY OF MOMBASA

## *Faculty of Engineering & Technology*

DEPARTMENT OF COMPUTER SCIENCE & TECHNOLOGY

UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF INFORMATION AND TECHNOLOGY

### **BBA 4150: INTRODUCTION TO ACCOUNTING**

SUPPLEMENTARY/SPECIAL EXAMINATIONS

**SERIES:** FEBRUARY 2013

**TIME:** 2 HOURS

#### **INSTRUCTIONS:**

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.  
***This paper consists of Six printed pages***
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#### **QUESTION 1 (Compulsory)**

- a) The Trial Balance of Nairobi Traders is as shown below:

**NAIROBI TRADERS  
TRIAL BALANCE  
AS AT DECEMBER 2011**

	<b>Dr. Sh.</b>	<b>Cr. Sh.</b>
Cash	125,900	
Notes Receivable	80,000	
Accounts Receivable	121,760	
Inventory	119,400	
Office supplies	960	
Prepaid insurance	5,300	
Office equipment	131,140	
Accumulated depreciation office equipment		19,440
Stores equipment	109,680	
Accumulated depreciation storage exp.		31,400

Accounts payable		44,840
Mortgage note payable		50,000
Salaries payable		2,280
Patel capital		390,700
Sales		1,440,000
Sales returns and allowance	12,280	
Discount	11,580	5,050
Purchases	1,043,960	
Purchases returns and allowance		18,200
Carriage inwards	34,800	
Operating expenses	207,840	
Interest exp.	4,880	
Interest income		<u>7,200</u>
	<u>2,009,480</u>	<u>2,009,480</u>

**Required:**

i) An income statement for the year ended December 31<sup>st</sup> 2011.

ii) A balance sheet using the vertical format as at December 31<sup>st</sup>, 2009. **(10 marks)**

b) Differentiate between the following terms as used in accounting:

i) A debit entry and credit entry **(2 marks)**

ii) Return inwards and Return outwards **(2 marks)**

iii) An asset account and liability account **(2 marks)**

iv) An expense account and revenue account **(2 marks)**

v) A trial balance and a balance sheet. **(2 marks)**

**QUESTION 2**

Kiplangat trial balance as at December 31<sup>st</sup> 2011 did not agree. He opened a suspense account for the difference and prepare an income statement and drew up the following balance sheet:

**KIPLANGAT  
BALANCE SHEET  
AS AT DECEMBER 31<sup>ST</sup> 2011**

	Shs.	Shs.	Shs.
<b>Fixed asset:</b>		164,500	
Furniture and fittings		<u>500,500</u>	<u>665,000</u>
<b>Current assets:</b>			
Stock	1,101,100		
Debtors	749,700		
Bank	651,700	<u>2,502,500</u>	
<b>Current liabilities:</b>			
Creditors	866,250		
Suspense account	4,200	(870,450)	<u>1,632,050</u>
Total Net Assets			<u>2,297,050</u>
<b>Financed by:</b>			
Capital		2,132,550	
Net Profit		<u>1,039,500</u>	

3,172,050	
<u>875,000</u>	
	<u><u>2,297,050</u></u>

The following errors which accounted for the difference in the trial balance were subsequently discovered:

1. Bank charges of sh. 2,450 had been entered in the cashbook but the double entry had not been completed.
2. Loss on the sale of an old motor van shs. 4,200 had been correctly entered in the motor vehicle account but had been charged to depreciation account as sh. 7,350.
3. A degree of shs. 30,100 for the purchase of a new computer had been correctly entered in the cash book but entered in the furniture and fittings account as shs. 23,100.
4. A sale of goods to Ogolla of sh. 16,100 was correctly entered in the sales book but was posted to Ogoji's account as shs. 22,400
5. A credit note of shs. 5,950 from Kamau, a creditor had been correctly entered in the subsidiary records but posted to Kamau's account as shs. 6,650.
6. The debit balance of shs. 42,700 on Omondi's account in the sales ledger at December 2011 had been carried down as shs. 46,200 and included in the trial balance at his figure.

**Required:**

- a) Journal entries to correct the above errors. **(10 marks)**
- b) Show your calculations of the correct net profit. **(10 marks)**

**QUESTION 3**

Island Hoppery is an airline providing passage and freight services among some specific islands. The account are adjusted and closed each month. At June 30<sup>th</sup>, the trial balance shown below was prepared from the ledger:

**ISLAND HOPPERY  
TRIAL BALANCE  
JUNE 30<sup>TH</sup> 2011**

	Dr.	Cr.
Cash	47,200	
Accounts receivable	14,400	
Prepaid rent	10,200	

Unexpired insurance	42,000	
Accumulated depreciation, air craft		760,000
Air craft	2,400,000	
Accounts payable		1,700
Notes payable		1,200,000
Uncleared passenger revenue		480,000
Mary Eauhat, capital		261,900
Freight revenue		
Many Eauhat drawing	14,000	
Fuel expenses	107,600	
Salaries expense	133,400	
Maintenance expenses	<u>25,800</u>	
	<u>2,803,600</u>	<u>2,803,600</u>

Additional information:

- The aircraft is being depreciated over a period of 10 years
- The amount shown as unearned passenger revenue represents tickets sold to customers in advance of flights. During June, sh. 80,300 of this amount was earned by the airline.
- Salaries earned by the employees but not get paid amount to sh. 6,300 at June 30<sup>th</sup>.
- Accrued interest on notes payable amounts to sh. 10,000 at June 30<sup>th</sup> and has not been recorded.
- One of the Island Hopper's customers is Atlantic company. The airline keeps track of the weight of shipments carried for the trading company during the month and sends a bill shortly after month end. No entry has yet made to record sh. 11,200 earned in June carrying freight Atlantic Company.
- Three months rent sh. 28,800 had been prepaid on May 1<sup>st</sup>.
- On April 1<sup>st</sup>, a 12 month insurance policy had been purchased for 50,400.

**Required:**

Prepare adjusting entries and the adjusted trial balance.

**(20 marks)**

**QUESTION 4**

- a) Define the following account concepts and for each explain their implication in the preparation of financial statements:
- Going concern
  - Consistency
  - Realization.

**(6 marks)**

- b) The selected transactions completed by coffee trader during the month of October, 2011 are shown below:

October	7 <sup>th</sup>	Received cheque for sh. 98,000 from Janes in payment of shs. 100,000 invoice Less discount
	9 <sup>th</sup>	Received cheque for shs. 34,300 from Peter in payment of sh. 350,000 invoice Less 2% discount\
	12 <sup>th</sup>	Received cheques for shs. 77,000 from Jane on account, no discount
	15 <sup>th</sup>	Cash sales for October 1 <sup>st</sup> – 15 <sup>th</sup> sh. 55,400
	19 <sup>th</sup>	Received cheque for return of merchandise that had been purchased for cash Of sh. 6,400
	25 <sup>th</sup>	Received cheque for shs. 120,280 from Many in payment of shs. 124,000 invoice

	Balance less discount
31 <sup>st</sup>	Cash sales for October 16 <sup>th</sup> – 31 <sup>st</sup> shs. 67,200

**Required:**

- |                                |                  |
|--------------------------------|------------------|
| a) The cash receipts journal.  | <b>(5 marks)</b> |
| b) The debtors control account | <b>(6 marks)</b> |
| c) The sales account           | <b>(4 marks)</b> |

**QUESTION 5**

The following balances were extracted from the books of Jema Traders for the month of May 2010.

	<b>Sh.</b>
Balance b/d on 1 <sup>st</sup> May 2010	
Debtors DR	250,000
CR	20,000
Creditors CR	600,000
DR	30,000
Credit purchases	4,800,000
Credit saes	1,200,000
Provision for bad and doubtful debts	120,000
Bad debts	50,000
Discount allowed	60,000
Discount received	40,000
Payment to supplier	1,350,000
Receipts from debtors	2,800,000
Return inwards	15,000
Return outwards	25,000
Balances c/fwd 31 <sup>st</sup> May 2010	
Sales ledger CR	26,000
Purchases ledger DR	34,000

**Required:**

- a) Sales ledger control account (8 marks)
- b) Purchases ledger control account (8 marks)
- c) Explain the fundamental characteristics of good accounting information. (4 marks)