



**TECHNICAL UNIVERSITY OF MOMBASA**  
*Faculty of Engineering & Technology*

DEPARTMENT OF COMPUTER SCIENCE & INFORMATION TECHNOLOGY

DIPLOMA IN INFORMATION & COMMUNICATION TECHNOLOGY

**BBA 2120: INTRODUCTION TO FINANCIAL ACCOUNTING**

SUPPLEMENTARY/SPECIAL EXAMINATIONS

**SERIES:** FEBRUARY 2013

**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)

- a) The following is a trial balance of Kisima Enterprises, extracted after one year of operations. Prepare an income statement for the year ending 30<sup>th</sup> June 2008 together with a balance sheet as at that date. Note the Bank amount will be treated as current liabilities since it is overdrawn. **(20 marks)**

	£	£
Sales		35,800.00
Purchases	14,525.00	
Salaries	2,325.00	
Motor expenses	9,399.00	
Rent and business rates	1,250	
Insurance – building	750.00	
Vehicles	1,200.00	
Motor vehicles	10,000.00	
Fixtures	17,500.00	
Cash in hand	500.00	
Cash at bank		1,250.00
Drawings	12,000.00	
Long-term loan		15,000
Capital		19,275.00
Accounts receivable	11,275.00	
Accounts payable		9,750.00
	<u>80,625.00</u>	<u>80,625.00</u>

Inventory on 30<sup>th</sup> June 2008 £3,000.

- b) Identify and briefly explain in each situation the accounting concept to be applied in the following situations. **(10 marks)**
- The company had a poor trading year and the owners believe that a more balanced result could be presented if a reducing balance method was adopted instead of the straight line method of depreciating assets.
  - A debtor who owes a large amount of money is rumored to be going into liquidation.
  - At the end of the financial year an amount is outstanding in respect of rent for certain premises of the company.
  - The Chief Executive Officer wishes the company's good public relations to be reflected in the accounts.
  - The company has some assets acquired on hire purchase, as at year end not all instalments have been settled.

### SECTION B

#### QUESTION 2

The following trial balance of M Abasa as at 31<sup>st</sup> March, 2009. Draw up a set of financial statements for the year ended 31<sup>st</sup> March 2009.

	<b>Dr.</b>	<b>Cr.</b>
Sales		265,900.00
Purchases	154,870.00	
Rent	4,200.00	
Lighting and Heating Expenses	530.00	
Salaries and Wages	51,400.00	
Insurance	2,100.00	
Buildings	85,000.00	
Fixtures	1,100.00	
Accounts Receivable	31,300.00	
Sundry Expenses		15,910.00
Accounts Payable	412	
Cash at bank	14,590.00	
Drawings	30,000	
Vans	16,400.00	
Motor running expenses	4,110.00	
Capital		114,202.00
	<u><u>396,012.00</u></u>	<u><u>396,012.00</u></u>

### QUESTION 3

The bank columns in the cashbook for June 2010 and the bank statement for that month for M Martins are as follows:

**Required:**

a) Write the cash book up to date

b) Draw up bank reconciliation statement as at 30<sup>th</sup> June 2010.

(10 marks)

Dr.		CASHBOOK				Cr.
2009			2010			
Dec	Dr.		Dec			
1	Balance b/d	3,419.00	8	M Kwale M	462.00	
7	K Otieno	101.00	15	Rimberia	21.00	
22	F Kandie	44.00	28	K Kamau	209.00	
31	S Mugu	319.00	31	Bal. c/d	3,437.00	
31	R Mong'ina	<u>246.00</u>				
		<b><u>4,129.00</u></b>			<b><u>4,129.00</u></b>	

	Dr.		Cr.	Balance
2009				
Dec				
1	Balance b/d			3,419.00
7	Cheque		101.00	3,520.00
11	E Indeku	462.00		3,058.00
16	A Chiwai	21.00		3,037.00
17	Cheque			3,081.00
18	Credit transfer Juma K		44.00	3,174.00
29	Bank charges	47.00	93.00	3,127.00

#### QUESTION 4

- Given below are financial statements of Manna General Traders. Study them carefully and calculate the ratios below for analysis purposes. (15 marks) Gross profit margin.
- Return on capital employed
- Return on equity
- Earnings per share
- Current ratio
- Acid test ratio
- Interest cover.