



# TECHNICAL UNIVERSITY OF MOMBASA

*Faculty of Business & Social Studies*

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN BUSINESS ADMINISTRATION

DIPLOMA IN ACCOUNTANCY

## **BAC 2115: INTRODUCTION TO ACCOUNTING I**

END OF SEMESTER EXAMINATIONS

**SERIES:** AUGUST 2013

**TIME:** 2 HOURS

### INSTRUCTIONS:

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

***This paper consists of Four printed pages.***

### **QUESTION 1 (Compulsory)**

The following trial balance was extracted from the books of Hamigo enterprises as at 31<sup>st</sup> December 2011.

TRIAL BALANCE	
DR	CR

1600,000		
creditors		2500,000
Stock as at 1 <sup>st</sup> Jan 2011	1500,000	
sales		30,000,000
Bank	8000,000	
premises	12,000,000	
Sale returns	500,000	
Purchase return		500,000
Equipment	400,000	
Carriage inward	200,000	
Wages	5000,000	
Debtors	5200,000	
Discount received		150,000
Rent receivable		300,000
Rent and rates		
Heat lighting	400,000	
Discount allowed	250,000	
Carriage outward	200,000	
Administrative expenses	800,000	
Insurance	150,000	
Cash	1150,000	
Capital		14,000,000
Drawings	<u>6000,000</u>	
purchase		

47,450,000      47,450,000

Additional information as at 31<sup>st</sup> December 2011:

- i) Stock at 31<sup>st</sup> December 2011 was valued sh.2000,000
- ii) Accrued rental income was valued at sh.50,000.
- iii) Wages owing as at 31<sup>st</sup> December 2011 was 20,000
- iv) Outstanding administration expenses was sh.50,000.
- v) Insurance expense Inclined sh.30,000 for the payment of the yuear 2012.
- vi) Bank debt of shs. 50,000 are to be written off.
- vii) Depreciation on equipment is 20% on the cost.

Required

- i) Income statement for year ending 31<sup>st</sup> December 2011.
  - ii) Balance sheet as at that date  
(20marks)
- b) Identify and explain at least five users of accounting information and how it is useful to such users.  
(10marks)

### QUESTION 2

- a) Write short note on the following.
  - i) Imprest system (2marks)
  - ii) Petty cash book (2marks)
  - iii) Float (2marks)
- b) The following information Relate to the petty cash transactions of Salome enterprise for the month of January 2012.

2012 January 1.	Cash float sh.500 was given to petty cashier	
2012 January: 2 <sup>nd</sup>	paid bus fare	15
2012 January 3 <sup>rd</sup>	bought postage stamps	20
2012 January 5 <sup>th</sup>	bought office stationery	135
2012 January 7 <sup>th</sup>	paid bus fare	25
2012 January 9 <sup>th</sup>	paid telegram	25
2012 January 10 <sup>th</sup>	paid for sundry expenses	55

Required: petty cash book with appropriate colum analysis and show the balance to be restored  
(14marks)

### QUESTION 3

Mr. Sammy Muzungu commercial business on 1<sup>st</sup> May 2007. His transactions for the month was as follows:

- May 1 credit purchases from Juma sh.50,000.
- May 2 credit sales to Kamau sh. 100,000
- May 8 purchase returns to Juma sh. 5000
- May 10 credit purchase from Ali sh.60,000.
- May 16 credit sale to Mutiso sh.100,000
- May 18 sales return from Mutiso sh.20,000
- May 20 credit purchases from Abdi sh80,000.

May 22 credit sales to Francis sh.110,000  
May 25 purchases return to Abdi sh.10,000.  
May28 credit purchases returns from Mash ash.90,000.  
May 30 sales to Swale sh.130,000.  
May 30 sales returns from Swale sh.20,000.

Required:

- a) Purchases journal (4marks)
- b) Sales journal (4marks)
- c) Purchases return journal (2marks)
- d) Sales returns journal (2marks)
- e) Salesledger (3marks)
- f) Purchases ledger (3marks)
- g) General ledger (2marks)

#### QUESTION 4

- a) Define the term Bank Reconciliation and given any two salient uses of the statement. (4marks)
- b) The cash book of Kweli ltd showed a debit balances of sh.42,000 while the bank statement showed a credit balance of sh.21,000 on 30 September 2009.

The following discrepancies were discovered.

- i) A standing order of sh.23 600 had not been entered in the cashbook.
- ii) Sh.6000 entered in the cash book as a deposit was actually banked by the cashier.
- iii) A direct deposit of sh.7600 was not redorded in the cash book.
- iv) A cheque of sh.22,000 deposited on 29<sup>th</sup> September 2009 was not credited by the bank until 2<sup>nd</sup> October 2009.
- v) A cheque of sh.4400 deposited in the bank was later dishonored.
- vi) Bank charges amounted to sh.400.
- vii) A cheque of 13000 was not presented for payment by a creditor.

Required:

- i) Updated cash book
- ii) Bank reconciliation statement as at 30<sup>th</sup> September 2009. (16marks)

#### QUESTION 5

Write short notes on the following accounting concepts.

- i) Going concern
  - ii) Prudence
  - iii) Consistency
  - iv) Accrual concept
  - v) Substance overform
- (20marks).