



THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

(A Constituent College of Jkuat)

Faculty of Engineering and Technology

DEPARTMENT OF COMPUTER SCIENCE & INFORMATION TECHNOLOGY

CERTIFICATE IN INFORMATION TECHNOLOGY – CIT 10A

EIT 1108: FINANCIAL APPLICATIONS

SPECIAL/SUPPLEMENTARY EXAMINATION

SERIES: OCTOBER 2011

TIME: 2 HOURS

Instructions to Candidates:

You should have the following for this examination

- *Answer booklet*
- *One Floppy*

This paper consists of **TWO** sections A and B

Answer question **TWO** questions from section and any other **TWO** questions from section **B**

Maximum marks for each part of a question are clearly shown.

This paper consists of **SIX** printed pages

Section A (COMPULSORY)

Question 1

a) Explain the following accounting terms

- i. Accounting-equation
- ii. Accrual Accounting
- iii. Accumulated depreciation
- iv. Cash accounting
- v. Depreciation

(10 marks)

b) From the following trial balance of Taylor LTD, prepare an income statement for the year ending 31 December 2010

Trial balance as at 31 December 2010		
	Debit	Credit
	kshs	kshs
Sales	-	381,152.00
Purchases	239,664.00	-
Salaries	113,054.00	-
Motor Vehicles expenses	4,832.00	-
Rent	3,788.00	-
Insurance	744.00	-
General expense	170.00	-
Premises	190,840.00	-
Motor Vehicles	33,188.00	-
Accounts Receivables	53,480.00	-
Accounts Payables	-	33,048.00
cash at bank	33,038.00	-
cash in hand	684.00	-
drawings	16,850.00	-
capital	-	276,132.00
	690,332.00	690,332.00

Inventory as 31 December was **kshs 24,816.**

(10 Marks)

Section B: Attempt any TWO Questions from this Section

Question 2

a) Explain the Chart of accounts as used in the quick book software

(4 Marks)

b) Explain the Matching principle.

(2 marks)

c) York is a sole trader who keeps his cash and bank transactions. His transactions for the month of march were as follows:

- March – 1 Cash in hand Kshs 1000, cash at bank kshs 56720.
- March – 2 Paid wages in cash Kshs 390
- March -2 Purchased goods by a cheque of kshs 7300
- March – 3 sold goods for cash kshs 9400
- March – 2o Bought Machinery on credit from Smith for Kshs 5000
- March -22 Paid salaries by cheque kshs 2300
- March – 30 retained cash amounting to kshs 1500 and paid the reminder into the bank

Required: Enter the above transactions within T – accounts and bring down the balances.

Question 3

Discuss on bank reconciliation, bank reconciliation process and Purpose of Bank Reconciliation

(20Marks)

Use the case below to answer the questions that follow:

FARE LTD is a firm that specializes on Timber products. The activities are stock driven (i.e. buys & sells). The business operates four departments which include Sales, purchases, Finance and administration.

Since its formation in January, 2010, the business has been maintaining books of accounts manually. The business financial year begins in 1st January and ends in 31st December. The Firm’s items are subject to 16% VAT, The Company uses Kenyan Shilling while transacting. The Company had a starting balance of Kshs (4223) Overdraft. The Bank account number was 123456789

The Company Manager has hired you to set up and maintain the business books of accounting using **QuickBooks accounting system**.

REQUIRED. Complete this case using the information provided. Organize and submit a back – up copy of the **FARE LTD**.

NOTE:

- a) When creating the NEW COMPANY, **do not use or select** the following options.
 - Pass word or Access right
 - VAT
- b) Enter your student number where require

Question 4 (20 Marks)

- a) The business uses the following Address.

NAME: FARE LTD (type student Number)
 P.O. BOX 40344-80100
 TEL: 33334550
 E-MAIL: http:www:fareltd .org/ CITY: Mombasa COUNTRY: Kenya

FARE LTD – Cash Book									
CASH BOOK									
RECE IPTS	Details				PAYMENT S				
Date		Account	RNO	Bank	Date	Details	CQ NO	Bank	Account
2010	Rogers & Co - sales	Sales			2010				
1-Sep	Chapman Ltd	Sales	0001	2,710	1-Sep	Balance b/d		4,223	Bank
6-Sep	F Sanderson	Sales	0002	252	3-Sep	Park Lane Garage-	04441	236	Purchases
8-Sep	booth	Sales	0003	121	3-Sep	Wages -	04442	1,723	Expense
10-Sep	Ruston Associates	Sales	0004	379	7-Sep	Otis Electronics-	04443	110	Electronics Expense
16-Sep	Campbell	Debtors	0005	1,200	12-Sep	Fraser & Co-	04444	46	Purchases
20-Sep	W Blake	Debtors	0006	28	17-Sep	United Insurance-	04445	175	Insurance Expense
27-Sep	Chapman Ltd	Sales	0007	1,320	23-Sep	Beet & Makin-	04446	1,052	Purchases
28-Sep	Steve	Sales	0008	540	24-Sep	Rates-	04447	220	Expense
28-Sep	Balance c/d		0009	1,235					
				7,785				7,785	
					1-Oct	Balance b/d		1235	Bank
					1-Oct	Balance b/d		1235	Bank

(5 marks)

Create the Company file in the quick book.

b) Post the following information in the Company's Cash book

(15 Marks)

Question 5

Use the following bank statement to reconcile the cash book against the bank statements using the quick book software

STAR BANK			STATEMENT	
ACCOUNT	FARE LTD		ACCOUNT NO.	123456789
Date			Statement NO	16
		debit	credit	balance
1-Sep	Balance			(4,223.00)
6-Sep	04442	1723		(5,946.00)
6-Sep	04441	236		(6,182.00)
7-Jan	Chapman Ltd		2710	(3,472.00)
7-Jan	F Sanderson		252	(3,220.00)
9-Sep	Sanderson		121	(3,099.00)
13-Sep	Booth		379	(2,720.00)
14-Sep	Bank Charges	20		(2,740.00)
14-Sep	Bank Interest	92		(2,832.00)
17-Sep	cheque		1200	(1,632.00)
17-Sep	United Insurance04445	175		(1,807.00)
17-Sep	04444	46		(1,853.00)
23-Sep	W Blake		28	(1,825.00)
28-Sep	Chapman Ltd		1320	(505.00)
28-Sep	04447	220		(725.00)
30-Sep	Hunt & Associates		26	(699.00)

Question 6

Enter the following entries into the system

- i. On 20th April 2010: Fare Ltd sold a lorry of Timber on credit to Chowder Ltd costing Kshs 800,000. The invoice number for the order was 9999800
- ii. On 20th September 2010 Fare Ltd sold on credit to Dow Timber costing kshs 500,000. The invoice number for the order was 9999801
- iii. On 16th February, 2010 FARE LTD purchased a Lorry on credit from the supplier Toyota Motors LTD at a cost of 950,000.
- iv. On 30th March, 2010 Fare ltd purchased on credit goods worth Kshs 990,000 from Baobab Timber stores.

Question 7

Enter the following balances for the following Journal entries in system

- i) 31, Dec 2010 the lorry had depreciated by 25 % of the cost on a straight line base.
- ii) On 20th December, 2010 FARE LTD purchased a Computer from Millennium Cyber on credit at a cost of kshs 50,000.
- iii) On 1st July, 2010, FARE LTD sold Timber on credit to John costing kshs 60,0 **(15 Marks)**