



THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

(A Constituent College of Jkuat)

Faculty of Engineering and Technology

DEPARTMENT OF COMPUTER SCIENCE & INFORMATION TECHNOLOGY

DIPLOAM IN INFORMATION COMMUNICATION TECHNOLOGY – DICT 11M
DIPLOMA IN INFORMATION TECHNOLOGY DIT 2K 10J, DIT 11M

BBA 2120: FINANCIAL ACCOUNTING
ECS 2102: INTRODUCTION TO ACCOUNTING

SPECIAL/SUPPLEMENTARY EXAMINATION

SERIES: OCTOBER 2011

TIME: 2 HOURS

Instructions to Candidates:

You should have the following for this examination

- *Answer booklet*

Answer question **ONE (COMPULSORY)** in section A and any other **TWO** questions from section B

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

This paper consists of **FIVE** printed pages

SECTION A – Compulsory

Question 1 (30 marks)

- a) Define the following terms;
- i. Accounting
 - ii. Equity
 - iii. Journal
 - iv. Auditing
 - v. Fund accounting
- (5marks)
- b) Highlight four importance of financial accounting
- (4marks)
- c) The following information relates to likoni enterprise
- May 1 started business by investing ksh 2500000 in cash
- 2 purchased goods on credit from Daniel ksh 540000 gibson ksh 250000 Dorothy ksh 760000
- 4 sold goods on credit to Charles ksh 430000 Balo ksh 620000
- 5 paid rent by cash ksh 120000
- 9 received a cheque from Charles of ksh 430000
- 10 the business paid Gibson ksh 250000 by cheque and Daniel ksh 540000 by cash
- 15 the business paid for carriage inwards ksh 23000 by cash
- 18 purchased goods on credit from Charles ksh 430000 and Dorothy 1100000
- 31 paid rent by cheque ksh 180000
- Required:
- Provide journal entries
- Post journal entries to ledger accounts
- Extract a trial balance
- (7 marks)
(9marks)
(5marks)

SECTION B (ANSWER ANY TWO QUESTIONS)

Question 2 (20 marks)

- a) Explain the following ratios:
- i. Return on capital employed
 - ii. Return on owners equity
 - iii. Leverage ratio
 - iv. Inventory turnover
 - v. Earnings per share
- (5marks)

- b) The balance sheet below relates to brood investment as at 30th April 2009

	<u>Ksh '000'</u>	<u>Ksh'000'</u>
ASSETS		
Tangible Non Current Assets		
Cost or valuation	51000	

Accumulated depreciation	(12500)	38500
Current Assets		
Inventories	16400	
Trade receivables	19100	
Sundry receivables & prepayments	<u>3100</u>	<u>38600</u>
		<u>77100</u>
EQUITY AND LIABILITIES		
Issued capital	10000	
Share premium account	5000	
Revaluation reserve	5000	
Accumulated profits	<u>8600</u>	28600
Non current liabilities		
7% loan notes (sh 20million issue on 1 st may 2009)		20000
Current liabilities		
Trade payables	11400	
Accruals	3400	
Bank overdraft	<u>13700</u>	<u>28500</u>
		<u>77100</u>

The summarized income statements of Brood for the year ended 30th April 2009:

	Shs'000'
Sales revenue	60000
Cost of sales	<u>(40000)</u>
Gross profit	20000
Operating expenses	<u>(10000)</u>
Profit from operations	10000
Finance cost	<u>(1500)</u>
Net profit for the period	<u>8500</u>

Calculate the following ratios:

- a. Return on the total capital employed
- b. Quick ratio(acid test)
- c. Return on Owners equity
- d. Gearing(leverage)ratio
- e. Current ratio

(15 marks)

Question 3 (20 marks)

The following is a summary of the receipts and payments of the F2 computer club

Receipts and payments A/c for the year ended 30th September 2010

	Ksh'000'		Ksh'000'
Cash at bank balance b/ f	1247	Secretary's expenses	224
Members subscription	4388	Rent	1300
Donations	150	Donations to charities	87
		Meeting expenses	559
		Heating and lighting	446
		Stationery and printing	320
		Purchase of office equipment	870
		Cash and bank balances c/ f	1979
	5785		5785

The following valuations are also available:

	2009	2010
heating and lighting	110	83
subscription	150	90
stocks and stationery	67	83

On 1st October 2009 the F2 club owned office equipment costing sh 2000000 which had been depreciated at ksh 500,000. Policy of the club is to depreciate equipment at 10% p.a using straight line method applied on full year's basis. The club did not sell any office equipment during the year ended 30th sept 2010. Required:

- Calculate the value of the accumulated fund of the club as at 1st October 2009 (4 marks)
- Prepare an income and expenditure a/c for the club for the year ended 31/10/2010 (10marks)
- Prepare a balance sheet as at 31/10/2010 (6 marks)

Question 4 (20 marks)

Ali Orwa, a sole trader, extracted the following trial balance from his books at the close of business on 31 October 2010

	dr sh	cr sh		
office expenses	450			
wages and salaries	8640			
drawings	2480			
debtors	11910			
creditors		6050		
delivery van	2100			
fixtures and fittings	1200			
provision for bad debts		660		
rent and insurance	1730			
carriage outwards	2160			
returns outwards		570		
returns inwards	820			
discount allowed	1440			
discount received		920		
cash	90			
bank overdraft		4350		
capital		7200		
stock	5160			
purchases	22860			
sales		41970		
	61740	61740		

Additional information:

Closing stock sh.4290

Accrued wages sh210

Accrued office expenses sh20

Prepaid rent sh180

Increase provision for bad debts to sh 810

Depreciate fixed assets as follows:

- Fixtures and fittings 10% on cost
- Delivery van sh 250

Required:

- Trading, profit and loss account for the year ended 31 October 2010
- Balance sheet as at that date

(20 marks)

Question 5 (20 marks)

The following trial balance was prepared by an inexperienced book keeper

Samawati traders

Trial balance as at 31st December 2008

	dr	cr
capital	500000	
buildings		640000
loan	300000	
creditors	20000	
debtors		210000
salaries	60000	
stationery		10000
discount allowed		10000
discount received	13000	
stock		70000
purchases	600000	
sales		800000
rent paid	15000	
furniture	125000	

Required: Prepare a corrected trial balance

(10 marks)

Discuss **FIVE** generally accepted accounting principles

(10 marks)