



THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

(A Constituent College of JKUAT)

(A Centre of Excellence)

Faculty of Business & Social Studies

DEPARTMENT OF HOSPITALITY & TOURISM

UNIVERSITY EXAMINATION FOR:

BACHELOR OF SCIENCE IN TOURISM MANAGEMENT

BAC 4140: PRINCIPLES OF ACCOUNTING

END OF SEMESTER EXAMINATION

SERIES: DECEMBER 2012

TIME ALLOWED: 2 HOURS

INSTRUCTIONS TO CANDIDATES:

This paper consists of **FIVE** questions

Answer question **ONE (COMPULSORY)** and any other **TWO**

This paper consists of **FOUR** printed pages

Question One (Compulsory)

- a) Explain **FIVE** common causes of differences between the cash book balance and the bank statement balance. **(10 marks)**

b) The following bank statement was received by John Mwaniki on 31st March 2010.

Date 2010 March	Particulars	Debits	Credits	Balance
		sh.	sh.	sh.
1	Balance brought forward			86,400
3	Deposits		53,700	140,100
3	Cheque No. 691	45,000		96,100
3	Deposits		30,000	125,100
10	Unpaid Cheque	43,800		81,300
15	Deposits		22,200	103,500
19	Cheque No. 693	33,900		69,600
31	Deposits		36,900	106,500
31	Dividends from DCFK		3,000	109,500
31	Deposits		42,000	151,500
31	S.O Rent	12,000		139,500
31	S.O Insurance	10,800		128,700
31	Bank Charges	1,080		127,620

His cashbook (bank column) had the following entries for March 2010.

John Mwaniki				
Cash Book (Bank Account Only)				
DR				CR
	2010	SH.		SH
		86,40		
1-Mar	Balance b/f	0	March 1 Cheque No 691	45,000
		53,70		
		0	March 5 Cheque No. 692	25,500

		30,00		
March 3	Deposits	0	March 7 Cheque No. 693	33,900
		34,20		
March 7	Deposits	0	March 17 Cheque No. 694	22,800
March		22,20		
11	Deposits	0		
March		36,90		
16	Deposits	0		
March		31,80		
19	Deposits	0		
March		28,50		
22	Deposits	0		

Required:

- a) Show the adjusted cash book **(16 marks)**
- b) Prepare a bank reconciliation statement as at 31st March 2010 **(4 marks)**

Question Two

The trial balance of Laban Mbaya, a trader taken out on 30th September 2010 failed to agree. To help locate the error, he prepared sales and purchases control accounts from the following information.

Sales ledger debit balance (1.10.2009)	227,200
Sales ledger credit balances (1.10.2009)	420
Purchases ledger debit balances (1.10.2009)	1,270
Purchases ledger credit balances (1.10.2009)	147,200
Balances for the year to 30.9.2010	
Credit sales	402,120
Credit purchases	160,560
Sales returns	2,120
Purchases returns	4,500
Cash payments to creditors	222,700
Bad debts written off	4,700
Cash received from debtors	411,000
Dishonoured cheques	9,000
Carriage charged to customers	3,600
Discounts allowed	20,110
Discounts allowed on dishonoured cheques	450
Debit balances in sales ledger	2,000
Transferred to purchases ledger	

The list of balances extracted from the personal ledgers were as follows:

		Sh.
Debtors:	Debit Balances	206,160
	Credit Balances	540
Creditors	Credit Balances	83,115
	Debit Balances	825

Required:

- (a) Prepare control accounts (16 marks)
- (b) State the amount of error and in which ledger it occurred. (4 marks)

Question Three

- a) Agreement of a trial balance is not an absolute proof that the book-keeping has been correctly done. There are certain book-keeping errors that do not affect the agreement of the trial balance.

Required:

Explain **FIVE** errors that do not affect the agreement of the trial balance. (10 marks)

- b) Prepare the journal entries necessary to correct the following errors:
- (i) A credit sale was correctly entered in the sales day book was overcast both in the sales account and in the debtors account by sh. 11,000
 - (ii) Sh. 12,000 cash discount allowed to M. Mutua a debtor has been debited to his personal account and credited to discount received account
 - (iii) Goods costing sh. 25,000 purchased from S. Said had been credited to S. Swale's Personal account
 - (iv) No record has been made to goods valued at sh. 14,000 taken by the proprietor B. Katana for his personal use.
 - (v) A purchase of desk calculator for sh. 10,000 was debited to office expenses account. (10 marks)

Question Four

The trial balance extracted from the books of ABDALLA SWALEH on 31st December 2011 showed debit totals of sh. 491,400 and credit totals of sh. 440,400. The trading profit and loss account drawn up on the basis of this trial balance revealed a gross profit of sh. 143,000 and a net profit of sh. 36,000. A careful re-examination of his books revealed the following errors:

- (i) Sales day book was overcast by sh. 10,000
- (ii) Goods costing sh. 8,000 has been taken by Abdalla for his personal use. No record was made to this fact.
- (iii) Cash discount amounting to sh. 6,000 allowed by a creditor was debited to discount allowed account.
- (iv) A payment of sh. 5,000 carriage on sales was debited to carriage inwards account.
- (v) A balance of sh. 1,000 in the personal account of M. Bakari a debtor was not included in the list of total debtors on the trial balance.
- (vi) During the year Mr. Swaleh sold his private farm for sh. 50,000 and paid in the proceeds to the firm's bank account. This fact was only recorded in the cashbook.
- (vii) A new warehouse was built at a total cost of sh. 50,000 including material costing sh. 35,000 and labour 15,000 materials used were journalized through purchases book and wages paid were debited to ordinary wages account.

Required:

- a) Suspense account fully balanced (5 marks)
- b) Journal entries to record correction of the above errors (7 marks)

c) Compute the corrected gross and net profit figures.

(8 marks)

Question Five

a) Differentiate between the following:

(i) Personal and real accounts

(2 marks)

(ii) Nominal accounts and drawings

(2 marks)

(iii) Current and non-current liabilities

(2 marks)

(iv) Capital and assets

(2 marks)

b) Items shown below are either capital or revenue expenditure.

(i) Cost of freehold land and building

(ii) Legal charges on purchase of freehold land and building

(iii) Repainting of office block four years after completion.

(iv) Cost of repainting a new extension to a building

(v) Cost of repairing floors destroyed by wet conditions of rainy season

(vi) Cost of purchasing duplicating paper

(vii) Cost of hiring casual labour

Required:

Classify each of the given items as either capital or revenue expenditure and give reasons for your classification

(12 marks)

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