



THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

(A Constituent College of JKUAT)

Faculty of Engineering & Technology

DEPARTMENT OF COMPUTER SCIENCE & INFORMATION TECHNOLOGY

DIPLOMA IN INFORMATION & COMMUNICATION TECHNOLOGY (DICT/JAN 2012)

DIPLOMA IN INFORMATION TECHNOLOGY (DIT/JAN 2012)

BBA 2120: INTRODUCTION TO FINANCIAL ACCOUNTING

END OF SEMESTER EXAMINATION

SERIES: APRIL 2012

TIME: 2 HOURS

Instructions to Candidates:

You should have the following for this examination

- *Answer Booklet*

This paper consists of **FIVE** questions in **TWO** sections **A & B**

Answer question **ONE (COMPULSORY)** plus any other **TWO** questions

Maximum marks for each part of a question are as shown

This paper consists of **FIVE** printed pages

SECTION A (COMPULSORY)

Question One (20 Marks)

- a) Explain **FIVE** importance of financial accounting (5 marks)
- b) Identify **FIVE** limitations of using ratios in analysis of company's performance (5 marks)
- c) You are provided with the following information relating to MPUC computer club. Prepare a bank reconciliation statement

	Shs.
July 31 st 2010 Balance at bank as per cash book	12300
“ Balance at bank as per bank Statement	9500

Additional information

- (i) Cheques issued and entered in the book but not presented for payment shs 2500
 - (ii) Cheques received and paid into bank but not yet credited by bank shs. 4300
 - (iii) Bank charges shs. 500
 - (iv) Payments against standing orders shs. 2000
 - (v) Direct deposit in the bank account by a debtor shs. 1500
- d) Mr. K. Raburu has provided you with the following information from his books as at 30th September 2011

	Shs
Cash in hand	1200
Cash at bank	11000
Stock 1.9.2011	21000
Debtors	8000
Creditors	10000
Returns inwards	500
Sales	56000
Purchases	20500
Capital	14900
Salaries	4000
Water & Electricity	600
Postage	200
Drawing	900
Stock 30.9.2011	13500
Furniture & fittings	7500
Motor van	35000
Loan	30000
Rent received	1200
Office rent	1700

Required: Prepare his trial balance as at 30.9.2011 (10 marks)

SECTION B (Attempt any TWO sections)

Question Two (15 marks)

The following trial balance was extracted from the books of Salame Traders on 31st December 2010

	DR '000'	CR '000'
Capital accounts		13000
Drawings	2700	
Debtors & creditors	2535	2250
Stock 1.1.2010	3961	
Purchases & Sales	14500	22400
Returns	539	462
Wages & salaries	3165	
Carriage inwards	470	
Discounts	354	530
Advertising	313	
Bad debts	110	
General expenses	510	
Rates	275	
Cash in hand	80	
Cash at bank	330	
Motor vehicles	1100	
Premises	<u>7500</u>	
	<u>38442</u>	<u>38442</u>

Additional information:

- (i) Wages due shs 54000
- (ii) Rates paid in advance shs 5000
- (iii) Motor vehicle to be depreciated at 20%
- (iv) Stock at 31.12.2010 was valued at shs 4,126,000

Required:

- a) Prepare a trading profit and loss a/c for the period ended 31.12.2010 (9 marks)
- b) Prepare a balance sheet as at that date (6 marks)

Question Three (15 marks)

The following information was extracted from Ujamaa enterprise for the year ended 30.9.2011

Profit & Loss a/c		
For the year ended 30.09.2011		
	Shs' 000'	Shs' 000'
Net sales		3000
Cost of goods sold		<u>(2580)</u>
Gross profit		420
Less: Operating expenses		
Selling	122	
General administrative	68	
Interest charges	<u>45</u>	<u>(235)</u>
		185
Add: Investment income		<u>15</u>
		200

Less: corporation tax @ 45%	(90)
Net income after tax	<u>110</u>

Balance Sheet as at 30th September

	2011	2010
Assets:		
Cash	52	50
Investments	175	150
Debtors	255	200
Stock	<u>350</u>	<u>300</u>
Total current assets	832	700
Plant & equipment (net)	<u>1210</u>	<u>1300</u>
Total assets	<u>2042</u>	<u>2000</u>
Trade creditors		
	192	160
Accruals	15	10
Tax payable	<u>135</u>	<u>130</u>
Total current liabilities	342	130
9% debentures	520	500
Ordinary shares (800,000)	800	800
Retained earnings	<u>380</u>	<u>400</u>
Total liabilities & capital	<u>2040</u>	<u>2000</u>

Required: Calculate and interpret the following ratios (15 marks)

- (i) Current ratios
- (ii) Stock turnover
- (iii) Gross profit margin on sales
- (iv) Quick ratio
- (v) Earnings per share

Question Four (20 marks)

The F2 Social Club had the following balance as at 1st January 2011.

Cash at bank	Shs 400		
Fresh bar inventory	Shs 800		
Club house buildings	Shs 12700		
During the year, the club received and paid the following amounts:			
Receipts	Shs	Payments	Shs
Subscriptions 2010	2800	Rent & rates	1200
Subscriptions 2011	500	Extension to club house	7000
Fresh bar income	5400	Snack bar purchases	3750
Visitors fee	800	Secretarial purchases	260
Loan from bank	4000	Interests on loan	240
Competition fees	1200	Fresh bar expenses	300
		Games equipment	1200

Additional information:

- a) The Fresh bar inventory on 31.12.2011 was 900
- b) The games equipment should be depreciated at 20% on straight line basis

Required:

- a) Prepare an income and expenditure account for the year ended 31.12.2011 (show separately the fresh bar profit/loss) (10 marks)
- b) Prepare a balance sheet as at that date (5 marks)

Question Five (20 marks)

- a) Explain **FIVE** generally accepted accounting principles (5 marks)
- b) Recently there has been an increase in the number of accounting software and use of computerized accounting. Do you think the modern accountant has benefited from this trend? Discuss (using relevant examples) (10 marks)