THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

COMPUTING AND INFORMATION TECHNOLOGY

CERTIFICATE IN INFORMATION TECHNOLOGY

CIT

FINAL EXAMINATIONS

FINANCIAL APPLICTIONS SUPPLIMENTARY

EIT 1108

Instructions:

Time 2 Hours

You should have the following for this examination:

- Answer booklet
- One floppy

This paper has two sections **A** and **B**

Answer two questions from section A

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

SECTION A

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)**

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.

Q3 a) discuss on bank reconciliation, bank reconciliation process and Purpose of Bank Reconciliation (**20Marks)**

SECTION B

ANSWER QUESTION FOUR AND ANY OTHER TWO QUESTIONS

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

Q4. 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 **(5 MARKS)**

Create the Company file in the quick book .

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

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

(15 Marks)

	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)	5
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)	

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

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.

(15 Marks)

Question 7

Enter the following balances for the following Journal entries in system

a) 31, Dec 2010 the lorry had depreciated by 25 % of the cost on a straight line base.

b) On 20th December, 2010 FARE LTD purchased a Computer from Millennium Cyber on credit at a cost of kshs 50,000.

C) On 1st July, 2010, FARE LTD sold Timber on credit to John costing kshs 60,0
(15 Marks)