TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF COMPUTER SCIENCE & IT

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF TECHNOLOGY IN INFORMATION TECHNOLOGY
(Y I, SII)

BAC 4150: INTRODUCTION TO ACCOUNTING

SUPPLEMENTARY/SPECIAL EXAMINATIONS
SERIES: JULY 2014
TIME: 2 HOURS

INSTRUCTIONS:

−   Answer Question **ONE (Compulsory)** and any other **TWO** questions.
This paper consists of Four printed pages

QUESTION 1 (Compulsory)

Ahmed started a business on 1st July 2013 for the purchase and sale of smartphones. He brought in sh. 800,000 in cash, and office furniture worth sh. 60,000 to be used by the new business. The transactions during the month of July were as follows:

2013
July 1st   Opened an account with Equity Bank and deposited sh. 775,000
      2nd   Received a loan from Equity Bank sh. 800,000 which was credited to the business bank account.
      3rd   Bought 50 phones for sh. 520,000 and paid by cheque
      5th   Sold 3 phones for sh. 25,000 each to M/S Kangemi on credit
      8th   Bought 40 phones from Gitau for sh. 720,000 and paid half the amount by cheque
      10th   Paid rent sh. 13,000 in cash
      11th   Sold 30 phones for sh. 27,000 each and received cash.
      12th   Deposited sh. 500,000 cash in Bank
      13th   M/s Kangemi returned one phone and received a credit note for sh. 250,000

15th	Sold old office furniture for sh. 2,200 and received cash.	
16th	Received cheque sh. 300,000 from M/s Kangemi on account	
18th	Sold a Smartphone for sh. 300,000 to Peter Okumu on credit	
20th	Bought 5 phones for sh. 800,000 and paid by cheque	
21st	Bought office computer from Office Suppliers Ltd sh. 12,000 on credit	
22nd	Sold all remaining Smartphones receiving sh. 100,000 in cash and sh. 1,200,000 in cheque	
25th	Paid insurance sh. 36,000 by cheque	
26th	Paid Gitau sh. 348,000 by cheque in full settlement of their account having been allowed the balance as cash discount	
27th	Received a cheque from Peter Okumu sh. 292,000 having allowed him sh. 8,000 cash discount	
30th	Withdrew sh. 50,000 from the bank for office use	
31st	Paid wages sh. 12,000 cash and electricity sh. 2,000 by cheque	

Required:

a) Show the opening journal entries and **(3 marks)**

b) Record the above transactions in the books of original entry (including a three column cash), and post them to the relevant ledger accounts and balance off the accounts. **(20 marks)**

c) Extract a Trial Balance as at 31st July 2013. **(7 marks)**

QUESTION 2

The books of James Randu showed the following balances at the close of business on 30th June, 2013.

	Dr. Sh. '000'	Cr. Sh. '000'
Sales		37,910
Purchases	25,112	
Inventory 1.7.2012	7,552	
Salaries and wages	4,894	
Motor expenses	1,328	
Rent	912	
Rates	240	
Insurances	292	
Electricity	1,330	
Stationery	552	
General expenses	230	
Motor vehicles	4,80	
Fixture and fittings	1,200	
Accounts receivable	9,154	
Accounts payable		6,090
Bank	7,752	
Cash	240	
Drawings	4,100	
Capital		25,688

Additional information at 30th June, 2013
1. Closing inventory sh. 9,996,000.
2. Expenses which are owing: motor expenses sh. 112,000; rent sh. 48,000; electricity sh. 52,000; stationery sh. 37,000.
3. Expenses which have been prepaid: Motor expenses sh. 50,000; rates sh. 40,000; insurance sh. 70,000.
4. Stock of stationery sh. 25,000.

Required:
Prepare
a) Income statement for the year ended 30th June 2013 and   **(12 marks)**
b) A balance sheet as at 30.6.2013.   **(8 marks)**

QUESTION 3

Elijah Wanjala's cashbook on 30th June 2013, gave a balance of sh. 680,000 overdrawn at the bank. The bank statement as at this date showed a debit balance of sh. 510,000. You are informed that:
1. Unpresented cheques amounted sh. 350,000.
2. Deposits not credited on the bank statement amounted to sh. 210,000.
3. Bank charges not entered in the cashbook amounted to sh. 25,000.
4. A bank transfer from a customer amounting to sh. 75,000 had been credited to the statement but not entered in the cashbook.
5. A standing order amounting to sh. 20,000 had not been entered in the cashbook.

Required:
a) Prepare an adjusted cashbook; and   **(10 marks)**
b) A bank reconciliation statement as at 30th June 2013.   **(10 marks)**

QUESTION 4

Discuss the following accounting concepts:
a) The monetary measurement concept.   **(4 marks)**
b) The double-entry concept.   **(4 marks)**
c) The business entity concept.   **(4 marks)**
d) The concept.   **(4 marks)**
e) The going concern concept.   **(4 marks)**

QUESTION 5

The Trial balance extracted on 31st December 2013 from the books of Bakarani wholesalers failed to agree. The Trial Balance totals were:

Dr sh. 21,382,000
Cr. Sh. 21,223,000

After careful scrutiny of the ledger, the following errors were discovered:

a) An invoice for sh. 62,000 issued to Kuria was recorded in the sales daybook as sh. 162,000 and posted to his ledger account accordingly.
b) Returns inwards journal was overcast by sh. 10,000.
c) A credit note for sh. 55,000 received from Mombasa Industries Ltd was recorded correctly in the appropriate subsidiary book but posted to the credit of Mombasa Industries Ltd.
d) A cheque for sh. 178,000 received from Karanja was entered in the cashbook but not posted to his personal account.
e) A credit purchase of an office equipment for sh. 125,000 was entered in the purchases daybook.
f) A purchase of goods for sh. 534,000 from Jambo Ltd was recorded correctly in the purchases daybook but posted to Jambo Ltd account as sh. 543,000.
g) Goods costing sh. 95,000 were taken by the owner of Bakarani Wholesalers for his personal use but no entry was made in the books.
h) There was an error made when balancing the salaries account. Its balance was shown as debit of sh. 1,623,000 instead of the correct balance Dr. sh. 1,533,000.

Required:
a) Show the journal entries necessary to rectify the above errors. **(8 marks)**
b) Complete and balance the suspense account. **(12 marks)**