



# TECHNICAL UNIVERSITY OF MOMBASA

## *Faculty of Engineering & Technology*

DEPARTMENT OF ELECTRICAL & ELECTRONIC ENGINEERING

UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF SCIENCE IN ELECTRICAL ENGINEERING

### HRD 2115: ACCOUNTING & FINANCE

SUPPLEMENTARY/SPECIAL EXAMINATIONS

**SERIES:** MARCH 2017

**TIME:** 2 HOURS **INSTRUCTIONS:**

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

---

#### QUESTION 1 (Compulsory)

- a) The following balances were extracted from the books of Mackenzie's enterprises Limited on 30<sup>th</sup> September, 2001:

**Required:**

From the above balances prepare Mackenzie's Enterprises Limited Trial Balance as at 30<sup>th</sup> September, 2001.

	<b>Sh.</b>
Cash in hand	1,200
Cash at bank	11,000
Stock 1.9.2001	21,000
Debtors	8,000
Creditors	10,000
Return inwards	500
Sales	56,000

Purchases 20,500

Capital	14,900
Salaries	4,000
Water and electricity	600
Postage	200
Drawings	900
Stock 30.9.2001	13,500
Furniture and fittings	7,500
Motor van	35,000
Loan (ICDC)	30,000
Rent received	1,200
Office rent	1,700

**Required:**

From the above balances prepare Mackenzie's Enterprises Limited Trial Balance as at 30<sup>th</sup> September 2001.

- b) Explain the term "bank reconciliation" and state the reasons for its preparation. (6 marks)
- c) Post the following transaction to the various relevant accounts:

Mr Kamau started business on 1<sup>st</sup> January 2003 with capital sh. 100,000, which he paid into the business bank account. On 6<sup>th</sup> January, he purchased motor vehicle and paid by cheque sh. 4,000. On 9<sup>th</sup> January, he purchased goods for sale on credit from AB & Co. for sh. 20,000, on 13<sup>th</sup> January, he sold some part of sh. 15,000. He paid to AB & Co by cheque on 25<sup>th</sup> January. (6 marks) d) Explain the following terms:

- i) Discount allowed and discount received
- ii) Trade discount and cash discount
- iii) Carriage inwards and carriage outwards
- iv) Returns outwards and Return inwards

(8 marks)

**QUESTION 2**

- a) You have recently been employed in a medium size company and deployed in the accounts department. Your head of section has given you the following extract from the cashbook for the month of May 2011.

Receipts during the month	2,938,000	Balance brought forward	1,522,000.
Balance carried forward	<u>1,108,000</u>	Payments during the month	<u>2,924,000</u> (30 <sup>th</sup> May 2011).
	<u>4,046,000</u>		<u>4,046,000</u>

The head of section further informs you that all receipts are banked intact and all payments are made by cheque. On investigation, you discover the following:

1. Bank charges and commissions amounting to sh. 272,000 entered on the bank statement had not been entered in the cashbook.
2. Cheques drawn amounting to sh. 534,000 had not been presented to the bank for payment.
3. Cheques received totaling sh. 1,524,000 had entered in the cashbook and paid into the bank, but had not been credited by the bank until June 2011.
4. A cheque for sh. 44,000 had been entered as a receipt in the cashbook instead of a payment.
5. A cheque for sh. 50,000 had been debited by the bank by mistake.
6. A cheque received for sh. 160,000 had been returned unpaid. No adjustment had been made in the cashbook.
7. All dividends receivable are credited direct to the bank account. During the month of May 2011, dividends totaling sh. 124,000 were credited by the bank and no entries had been made in the cashbook.
8. A cheque drawn for sh. 12,000 had been incorrectly entered in the cashbook as sh. 132,000.
9. The balance brought forward should have been sh. 1,422,000
10. The bank statement as at 30<sup>th</sup> May 2011 showed an overdraft of sh. 2,324,000.

**Required:**

- i) The adjusted cashbook as at 30<sup>th</sup> May 2011.
- ii) Bank reconciliation statement as at 30<sup>th</sup> May 2011.

**(20 marks)**

**QUESTION 3**

- a) Ivesco Ltd has identified a project with initial cost of sh. 80,000 and will generate the following returns.

Year	Sh. '000'
1	20,000
2	30,000
3	10,000
4	15,000
5	15,000
6	0

**Required:**

Compute the pay-back period of the project.

**10 marks)**

- b) Discuss the merits and demerits of pay-back period.

**(10 marks)**

**QUESTION 4**

The following Trial Balance was obtained from the books of Kalu Works Company Limited As At 30<sup>th</sup> September 2000.

**Dr.**

**Cr.**

Inventory 1 <sup>st</sup> August 1999	41,600	
Carriage outwards	2,100	
Carriage Inwards	3,700	
Returns	1,540	
Sales/purchases	188,430	
Salaries & Wages	61,400	3,410
Warehouse rent	3,700	380,400
Insurance	1,356	
Motor vehicle expenses	1,910	
Office expenses	412	
Lighting & heating expenses	894	
General expenses	245	
Premises (land & buildings)	92,000	
Motor vehicle		
Fixtures & fittings	1,900	13,400
Account receivable/payable	42,560	
Cash at bank	5,106	
Capital		
Drawings	22,000	68,843
	<b><u>484,253</u></b>	<b><u>484,253</u></b>

Additional information:

Inventory adjusted at 30<sup>th</sup> September 2,000 was sh. 44,780.

**Required:**

Trading, Profit and Loss account and the final balance sheet as at 30<sup>th</sup> September 2000. **(20 marks)**

**QUESTION 5**

- a) Explain **FIVE** factors that should be considered when choosing a source of business capital. **(5 marks)**
- b) ABC Ltd is planning to purchase a new machine for their new branch. The following are the details of the two alternative machines which can be acquired:

	<b>Machine A</b>	<b>Machine B</b>
Cost (sh.)	20,000,000	20,000,000
Life (years)	5	5

Net returns before depreciation

	Sh.	Sh.
Year 1	10,000	12,000
Year 2	8,000	10,000
Year 3	7,000	8,000
Year 4	5,000	5,000
Year 5	5,000	5,000

**Required:**

Based on the return on Investment method, advise on the machine to be purchased.

**(15 marks)**