

file



**ALUPE UNIVERSITY
COLLEGE**
... Bastion of Knowledge ...

P. O.Box 845-50400 Busia(K)
principal@auc.ac.ke
Tel: +254 741 217 185
+254 736 044 469
off Busia-Malaba road

OFFICE OF THE DEPUTY PRINCIPAL

ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS

UNIVERSITY EXAMINATIONS

2018 /2019 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER REGULAR EXAMINATION

FOR THE DEGREE OF BACHELOR OF HOTEL AND HOSPITALITY MANAGEMENT

COURSE CODE: STH 117

COURSE TITLE: INTRODUCTION TO ACCOUNTING

DATE:18/04/2019

TIME: 9.00am-12.00pm

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

INSTRUCTIONS TO CANDIDATES

- Answer Question **ONE** and any other **TWO** questions
- Question **ONE** carries 30 marks
- Do not write on the question paper

QUESTION ONE (30 MARKS)

a). Outline four advantages of preparing a trial balance to an organization. Brian Barmouth is a sole trader. At 30 June 2017 the following balances have been extracted from his books:

	shs
Sales	47,600.00
Purchases	22,850.00
Office expenses	1,900.00
Insurance	700.00
Wages	7,900.00
Rates	2,800.00
Heating and Lighting	1,200.00
Telephone	650.00
Discounts allowed	1,150.00
Opening stock	500.00
Returns inwards	200.00
Returns outwards	150.00
Premises	40,000.00
Plant and Machinery	5,000.00
Motor Vehicles	12,000.00
Debtors	12,500.00
Bank balance	7,800.00
Creditors	3,400.00
Loan-long term loan	10,000.00
Capital	60,000.00
Drawings for the year	4,000.00
Closing stock	550.00

Required:

Construct a trial balance, from the above list of balances **(8 marks)**

b). Explain what is meant by the following accounting terms:

- i. Accounting equation
- ii. Double entry concept

iii. Fundamental concepts of accounting (3 marks)

c). The following transactions relate to Kesho Traders for the month of April 2016

April		Shs
1	Commenced business with cash capital	500,000
2	Deposited cash into bank	250,000
3	Bought goods from Tulia Traders in cash	125,000
4	Sold goods to Neno Ltd on credit	100,000
6	Bought goods on credit from Rada	150,000
8	Paid wages in cash	5,000
10	Sold goods to Wino in cash	125,000
10	Bought goods from Tulia Traders on credit	185,000
12	Sold goods to Neno Ltd against a cheque	200,000
15	Paid wages in cash	2,000
16	Paid office expenses in cash	1,750
16	Paid Rada by cheque less shs 10,000 discount	140,000
18	Wino returned some goods and a cheque was issued	12,000
20	Received a cheque from Neno Ltd (discount allowed shs 5,000)	95,000
25	Paid rent in cash	10,000
28	Paid salaries for the month by cheque	20,000
30	Withdrew cash for use at home	5,000

Required:

- Three column cash book to record the above transactions (9 marks)
- Post the transactions to the relevant ledger accounts and close them as at 30 April 2017 (10 marks)

QUESTION TWO (20 MARKS)

Mr. Barasa commenced trading as a wholesaler stationer on 1 May 2018 with a capital of shs 5,000.00 with which he opened a bank account for his business.

During May the following transactions took place.

May 1 Bought shop fittings and fixtures from store fitments Ltd for shs 2,000.00



May 2	Purchased goods on credit from Abel shs 650.00
May 4	Sold goods on credit to Bruce shs 700.00
May 9	Purchased goods on credit from Green shs 300.00
May 11	Sold goods on credit to Hill shs 580.00
May 13	Cash sales paid into bank account shs 200.00
May 16	Received cheque from Bruce in settlement of his account
May 17	Purchased goods on credit from Kay shs 800.00
May 18	Sold goods on credit to Nailor shs 360.00
May 19	Sent Cheque to Abel in settlement of his account
May 20	Paid rent by cheque shs 200.00
May 21	Paid delivery expenses by cheque shs 50.00
May 24	Received from Hill shs 200.00 on account
May 30	Drew cheque for personal expenses shs 200.00 and assistant wages shs 320.00
May 31	Settled the account of Green.

Required

- a) Post the entries in the ledger accounts (10 marks)
- b) Balance the ledger accounts where necessary (5 marks)
- c) Extract a trial balance as at 31 May 2000. (5 Marks)

QUESTION THREE (20MKS)

The following trial balance was extracted from the books of Tulep Naliasi a sole trader, on 30th April 2017

	Kshs '000'	Kshs '000'
Capital		4,380,000
Buildings at cost	1,680,000	
Motor Vehicles at cost	1,641,000	
Furniture and fittings at cost	372,000	
Inventory	1,488,000	
Purchases and Sales	14,112,000	16,632,000
Receivables and payables	1,404,000	1,042,800
Discounts allowed and received	292,800	178,800
Returns inwards and outwards	24,000	43,200
Rent received		- 66,000
Loan		288,000
Prepaid rates 1 st May 2016	7,200	
Investment income		225,000
Accrued electricity 1 st May 2016		40,800
Irrecoverable debts	78,000	
Wages salaries	1,690,800	
Drawings	384,000	
Electricity	207,600	

Bank balances	163,200	
Rates and insurance	72,000	
Provision for depreciation: Furniture and fittings		240,000
Motor vehicles		480,000
	23,616,600	23,616,600

Additional information

- i. Inventory as at 30 April 2017 was valued at shs 2,040,000
- ii. As at 30 April 2017 rates prepaid amounted to shs 5,400
- iii. Outstanding wages and salaries amounted to shs 10,200 on 30th April 2017
- iv. Depreciation on motor vehicles and furniture and fittings is to be provided at 10% and 5% respectively on reducing balance
- v. As at 30 April 2017 accrued electricity amounted to shs 30,200

Required

- a) Income statement for the year ended 30 April 2017 (10 Marks)
- b) Statement of financial position as at 30th April 2017 (10 marks)

QUESTION FOUR (20MKS)

D Moody has the following assets and liabilities as on 31 April 2017:

	KShS
Creditors	15,800
Equipment	46,000
Motor Vehicle	25,160
Stock	24,600
Debtors	23,080
Cash at bank	29,120
Cash in hand	160



During the first week of May 2017 Moody:

- a. Bought extra equipment on credit for shs 5,520.
- b. Bought extra stock by cheque shs 2,280.
- c. Paid creditors by cheque shs 3,160.
- d. Debtors paid shs 3,360 by cheque and shs 240 by cash.
- e. Moody put in extra shs 1,000 cash as capital.

Required:

- a. Determine the capital as at 1st May 2017.
- b. Draw up a balance sheet after the above transactions have been completed.

QUESTION FIVE (20 MARKS)

- a. Briefly explain the fundamental concepts of accounting applied in your organization (10 marks)
- b. Identify six users of accounting information and explain their interest in the information (10 marks)

