



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2018/2019 ACADEMIC YEAR
FIRST YEAR SECOND SEMESTER**

**SCHOOL OF TOURISM AND NATURAL
RESOURCE MANAGEMENT
BACHELOR OF TOURISM MANAGEMENT**

COURSE CODE: BTM 1205

**COURSE TITLE: PRINCIPLES OF
ACCOUNTING I**

DATE: 15TH APRIL 2019

TIME: 8.30AM -10.30AM

INSTRUCTIONS TO CANDIDATES

Answer questions **ONE** and any other **THREE**.

This paper consists of 4 printed pages. Please turn over.

Question One (Compulsory)

(a) Differentiate between the following terms as used in accounting.

- | | | |
|------|---|----------|
| i. | A debit entry and credit entry | (1 mark) |
| ii. | Returns inwards and returns outwards | (1 mark) |
| iii. | An asset account and liability account | (1 mark) |
| iv. | An expense account and a revenue account | (1 mark) |
| v. | A trial balance and statement of financial position | (1 mark) |

(b) Komin Maduma, a sole trader in Narok has prepared the following balance as at 31 March 2018

	£
Sales	378,500.00
Discount Received	2,400.00
Rent Received	7,500.00
Returns outwards	7,700.00
Creditors	18,700.00
Bank Overdraft	30,000.00
Capital	287,500.00
Purchases	261,700.00
Salaries and Wages	45,700.00
Office expenses	8,400.00
Insurance premiums	3,100.00
Electricity	1,600.00
Stationery	6,200.00
Advertising	8,400.00
Telephone	2,100.00
Business Rates	7,500.00
Discounts allowed	600.00
Returns Inwards	4,100.00
Stocks as at 1 April 2017	120,600.00
Warehouse, shop and office	210,000.00
Fixtures and fittings	12,800.00
Debtors	13,000.00
Cash in till	500.00
Drawings	26,000.00

The following further information was obtained:

- Closing stock was £ 102,500.00
- Electricity charges accrued £ 700.00
- Advertising expenses accrued £ 500.00
- Insurance premiums paid in advance £ 900.00
- Business rates prepaid £ 1,500.00

Required:

Prepare a trial balance, statement of comprehensive income for the year ended 31 March 2018 and Statement of Financial Position as at that date. **(20 marks)**

Question Two

A bookkeeper extracted a trial balance on 31 December 2016 that failed to agree by Sh. 3,300 a shortage on the credit side of the trial balance. A suspense account was opened for the difference.

In January 2017 the following errors made in 2016 were found:

- i. Sales daybook had been under cast by Sh.1,000.
- ii. Sales of Sh.2,500 to J Church had been debited in error to J Chane account.
- iii. Rent account had been under cast by Sh.700.
- iv. Discounts received account had been under cast by Sh.3,000.
- v. The sale of a motor vehicle at book value had been credited in error to Sales account Sh.3,600.

Required:

Show the journal entries necessary to correct the errors.

Draw up the suspense account after the errors described have been corrected.

If the net profit had previously been calculated at Sh.79,000 for the year ended 31 December 2016, show the calculations of the corrected net profit **(15 marks)**

Question Three

The following transaction to Best Sales (K) Ltd for the month of March 2017.

March 1: Started business with Sh. 800,000 in the bank.

March 2: Bought goods on credit from the following persons

Ndichu- Sh. 76,000

Omolo- Sh. 27,000

Tina- Sh. 56,000

March 5: Cash sales Sh. 87,000

March 6: Paid wages in cash Sh. 14,000

March 7: Sold goods on credits to

Eva - Sh.35, 000

Jane- Sh. 42,000

Juma- Sh. 72,000

March 9: Bought goods for cash Sh. 46,000

March 10: Bought goods on Credits from

Omolo- Sh. 57,000

Ndebu-Sh. 98,000

March 12: Paid wages in cash Sh.465, 000

March 13: Sold on credit to:

Jane- Sh. 32,000

Juma- Sh. 23,000

March 15: Bought fixtures on credit from Beta Ltd Sh. 50,000

March 17: Paid Omolo by cheque Sh. 84,000

March 18: Returned goods to Ndebu Sh.20, 000

March 24: Jane returned some of goods sold to her Sh.11, 000

March 31: Bought a motor van paying by cheque Sh. 400,000

Required:

- i. Record the above transaction in the ledger of Best Sales Ltd and balance off the accounts;
- ii. Extract a trial balance as at 31 March 2017 **(15 marks)**

Question Four

Accounting practice depends upon the guidance provided by a number of accounting concepts, some of which are to be found in IAS 1 and/or in the conceptual framework of the International Accounting Standards Committee.

Required:

(a) Define and explain the relevance of the following accounting concepts.

- a. Neutrality
- b. Money measurement
- c. Accruals
- d. Substance over form

(12 marks)

(b) From the accounting concepts in (a) above, give two examples of situations in which there is a clash or inconsistency between two accounting concepts or conventions, and explain how the inconsistency should be resolved. **(3 marks)**

Question Five

a) Explain the term "bank reconciliation" and state the reasons for its preparation.

b) The cashbook of Baba Junita and his bank statement showed the following transactions in the month of December 2014.

CashBook

2014 Details	KES	2014 Details	KES
1-Dec Balance b/d	1,740,000.00	8-Dec A Daisy	349,000.00
7-Dec J Map	88,000.00	15-Dec R Mason	33,000.00
22-Dec J Cream	73,000.00	28-Dec G Small	115,000.00
31-Dec K Wood	249,000.00	31-Dec Balance c/d	1,831,000.00
31-Dec M Barrett	178,000.00		
	<u>2,328,000.00</u>		<u>2,328,000.00</u>

Bank Statement

2014	DR KES	CR KES	Balance KES
1-Dec Balance b/d			1,740,000.00
7-Dec Cheque		88,000.00	1,828,000.00
11-Dec A Daisy	349,000.00		1,479,000.00
20-Dec R Mason	33,000.00		1,446,000.00
22-Dec Cheque		73,000.00	1,519,000.00
31-Dec Credit transfer: J Walters		54,000.00	1,573,000.00
31-Dec Bank Charges	22,000.00		1,551,000.00

Required:

- ii. A statement showing Baba Junita's adjusted cashbook balance as at 31st December 2014.
- iii. A bank reconciliation statement as at 31st December 2014. **(15 marks)**

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