



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS 2017/2018 ACADEMIC YEAR FIRST YEAR SECOND SEMESTER

SCHOOL OF TOURISM & NATURAL RESOURCES BACHELOR OF TOURISM MANAGEMENT

COURSE CODE: BHM 1204 COURSE TITLE: INTRODUCTION TO ACCOUNTING

DATE: 24TH APRIL 2018

TIME: 0830 - 1030HRS

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **THREE** Questions

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

QUESTION ONE

- a. In a new business during the year ended 31 December 2002 the following debts are found to be bad, and are written off on the dates shown:

30 April	H Gordon	Sh.1,100
31 August	D Bellamy Ltd	Sh.640
31 October	J Alderton	Sh.120

On 31 December 2002 the schedule of remaining debtors, amounting in total to Sh.68,500, is examined, and it is decided to make a provision for doubtful debts of Sh.2,200.

You are required to show:

- i. The Bad Debts Account, and the Provision for Doubtful Debts Account.(6marks)
- ii. The charge to the Profit and Loss Account(.4marks)

The relevant extracts from the Statement of financial position as at 31 December(5marks)

- b. Write notes on any 5 basic accounting concepts (10 marks)

QUESTION TWO

James Mbuvi started a taxi business in Nairobi March 1990 under the firm name Mbuvi Taxis. The firm had two vehicles KA and KB, which had been purchased for Sh.560, 000, and Sh.720, 000 respectively earlier in the year.

In February 1992 vehicle KB was involved in an accident and was written off. The insurance company paid the firm Sh.160, 000 for the vehicle. In the same year the firm purchased two vehicles, KC and KD for Sh.800, 000 each.

In November 1993 vehicle KC was sold for Sh.716, 000. In January 1994 vehicle KE was purchased for Sh.840, 000. In March 1994 another vehicle KF was purchased for Sh.960, 000.

The firm's policy is to depreciate vehicles at the rate of 25 per cent on cost on vehicles on hand at the end of the year irrespective of the date of purchase. Depreciation is not provided for vehicle disposed of during the year. The firm's year ends on 31 December.

Required:

- a) Calculate the amount of depreciation charged in the profit and loss account for each of the five years.
- b) Prepare the motor vehicle account (at cost).
- c) Calculate the profit and loss on disposal of each of the vehicles disposed of by the company.(15marks)

QUESTION THREE

a) Explain the term “bank reconciliation” and state the reasons for its preparation.(6marks)

(b) Makula, a sole trader received his bank statement for the month of June 2001. At that date the bank balance was Sh. 706,500 whereas his cash book balance was Sh.2, 366,500.

His accountant investigated the matter and discovered the following discrepancies:

11. Bank charges of Sh.3, 000 had not been entered in the cashbook.
12. Cheques drawn by Makula totaling Sh.22, 500 had not yet been presented to the bank.
13. He had not entered receipts of Sh.26, 500 in his cashbook.
14. The bank had not credited Mr Makula with receipts of Sh.98, 500 paid into the bank on 30 June 2001.
15. Standing order payments amounting to Sh.62, 000 had not been entered into the cashbook.
16. In the cashbook Makula had entered a payment of Sh.74, 900 as Sh.79, 400.
17. A cheque for Sh.15, 000 from a debtor had been returned by the bank marked “refer to drawer” but had not been written back into the cashbook.
18. Makula had brought forward the opening cash balance of Sh.329, 250 as a debit balance instead of a credit balance.
19. An old cheque payment amounting to Sh.44, 000 had been written back in the cashbook but the bank had already honored it.
20. Some of Makula’s customers had agreed to settle their debts by paying directly into his bank account. Unfortunately, the bank had credited some deposits amounting to Sh.832, 500 to another customer’s account. However

Required:

- ii. A statement showing Makula's adjusted cashbook balance as at 30 June 2001.
- iii. A bank reconciliation statement as at 30 June 2001. (9 marks)

QUESTION FOUR

- a. Describe the content and purpose of different types of business documentation. (8 marks)
- b. Discuss the various courses of depreciation in non-current assets (7 Marks)

QUESTION FIVE

Brian is a sole trader. At 30 June 2000 the following balances have been extracted from his books:

	Sh.
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. (15marks)

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