

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA AND EMBU CAMPUSES

**EXAMINATION FOR THE AWARD OF CERTIFICATE IN HOSPITALITY AND
TOURISM MANAGEMENT**

CHTM 00601: BASIC ACCOUNTING IN HOSPITALITY

STREAMS: CHTM Y1S2

TIME: 2 HOURS

DAY/DATE: MONDAY 29/03/2021

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

**Answer ALL the questions in section A and any other two in section B
Do not write anything on this question paper.**

SECTION A: 30 MARKS

1. With relevant examples explain the following elements of financial statement.
 - (i) Capital (2 marks)
 - (ii) Revenue (2 marks)
 - (iii) Asset (2 marks)
2. State and explain any four accounting principles. (6 marks)
3. Daniel had the following transactions for the month ended 31st December 202.
 - (a) Started business by depositing a cheque of Kshs. 50,000 into the business bank account. Bought goods for resale by cheque worth Kshs. 100,000.
 - (b) Paid rent Kshs. 2,000 by cheque.
 - (c) Sold goods for Kshs. 22,000 receiving payments by cheque.
 - (d) Bought furniture for Kshs. 40,000 on credit from Chuka suppliers.
 - (e) Settled a debt of Kshs. 10,000 by cheque.

Required:

- Pass journal entries for the above transaction and post them to the respective ledger accounts. (6 marks)
4. Briefly explain 4 users of accounting information. (6 marks)
5. Brief explain why depreciation of assets in hospitality and tourism industry occur. (6 marks)

SECTION B (40 MARKS)

QUESTION 6

- (a) The balance on the business account of Miss. Grace as at 1/1/2020 stood at Kshs. 4,000,000. The cash as at that day was Kshs. 1,000,000. During the month of January 2020, the following transactions took place;
- i. 2/1/2020: Paid rent by cheque Kshs. 1,000,000
 - ii. 3/1/2020: Cash sales Kshs. 1,000,000
 - iii. 4/1/2020: Paid for electricity cash Kshs. 500,000
 - iv. 8/1/2020: Received from credit customers payment by cheque as follows;
 - (a) Musau Kshs. 2,000,000
 - (b) Kiptoo Kshs. 4,000,000
 - (c) Kipkemoi Kshs. 3,000,000
 - v. 12/1/2020: Paid telephone bill by cheque Kshs. 3,000,000
 - vi. 15/1/202: Cash sales Kshs. 15,000,000
 - vii. 16/1/2020: Deposited Kshs.12,000,000 to the bank account
 - viii. 20/1/2020: Paid suppliers by cheque as follows: Njoroge Kshs. 1,000,000 Kamau Kshs. 3,000,000 Otieno Kshs. 2,000,000
 - ix. 22/1/2020: Withdrew Kshs. 2,000,000 from bank for office use
 - x. 25/1/2020: Cash purchases for Kshs. 1,500,000
 - xi. 28/1/2020: Withdrew cash of Kshs. 500,000 for personal use

Required:

- Draw a two-column cashbook for the month of January 2020. (12 marks)
- (b) Explain the desirable characteristics of accounting report. (8 marks)

QUESTION 7

Kamau runs a business in Embu. The trial balance for the period ended 31/12/2020 is as shown below:

	Dr. Ksh '000'	Cr Ksh '000'
Motor vehicle	3000	
Furniture and Fittings	2000	
Stock 1/1/2022	2000	
Purchases	7000	
Sales		15000
Returns inwards	1000	
Return outwards		500
Carriage inwards	500	
Carriage outwards		500
Bad debt	1000	
Debtors	3000	
Provision for bad & doubtful debts		200
Rent	1000	
Electricity	700	
Salaries and wages	500	
Drawings	500	
Capital		<u>7000</u>
	<u>22700</u>	<u>22700</u>

Additional information

1. Stock as at 31/12/2015 was Kshs. 3,000,000
2. Provision for bad and doubtful debt is to be set at 10% of debtors

Required:

- (a) Draw a trading, profit and loss account for the year ended 31/12/2020. (10 marks)
- (b) Draw the balance sheet as at 31/12/2020. (10 marks)

QUESTION

- (a) Explain in details how one locates errors in trail balance. (8 marks)
 - (b) Explain the errors that can be found in trial balance and they treatment. (12 marks)
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