

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF CERTIFICATE IN HOSPITALITY

CHTM 00601: BASIC ACCOUNTING

STREAMS:

TIME: 2 HOURS

DAY/DATE: FRIDAY 24/09/2021

11.30 A.M – 1.30 P.M

INSTRUCTIONS

- Answer question one and any other two questions
- Do not write anything on the question paper

QUESTION ONE

(a) State and explain five objectives of accounting in hospitality management. [10 marks]

(b) The following trial balance was extracted from the books of Mr. Oruko as at 31st

December 2020.

	DR (KSH)	CR (KSH)
Stock (1 st Jan 2020)	50,000	
Freehold land	240,000	
Bills receivable	30,000	
Purchases/sales	280,000	520,000
Salaries and wages	35,000	
Fixtures and fittings	25,000	
Discounts	7,500	4,500
Plant and machinery	140,000	
Rates	5,600	
Advertising	10,400	
Insurance	3,800	
General expenses	7,200	
Provision for bad debts		1,800
Sundry debtors	60,000	
Bills payable		15,000
Sundry creditors		43,000
Cash in hand	2,400	
Bank overdraft		18,600

Drawings	6,000	
Capital		300,000
	<u>902,900</u>	<u>902,900</u>

Additional information

- (i) Provide for depreciation of plant and machinery at 10% per annum and fixtures and fitting at 15% per annum on cost.
- (ii) Provision for bad debts is to be adjusted at 4% of sundry debtos
- (iii) Prepaid insurance amounts to ksh 500
- (iv) Accrued rates amounted to ksh 400
- (v) Closing stock was valued at ksh 60,000
- (vi) During the year Mr. Oruko took goods worth ksh 2000 for his personal use.

Required :

- (i) Prepare an income statement for the year ended 31st December 2020. [12 marks]
- (ii) A statement of financial position as at 31st December 2020. [8 marks]

QUESTION TWO

- (a) Financial statement are prepared based on underlying assumptions and standards enshrined in the conceptual framework. Explain any five accounting concepts.

[5 marks]

- (b) The following transactions relates to the business of John traders for the month of September 2016.

September 1: started business with cash ksh 184,000

September 2: Paid salaries and wages in cash ksh 26,000

September 8: Purchase goods on credit for ksh 60,000

September 15: Bought a motor vehicle for ksh 100,000 paid by cheque

September 20: Sold office furniture at ksh 25,000 in each

September 25: bought land for ksh 28,000 by cheque

Required :

- (i) Journalize the above transactions [6 marks]
- (ii) Post the above transactions to their respective leger accounts and balance them off.

[9 marks]

QUESTION THREE

(a) State and explain the qualitative characteristics of accounting information [6 marks]

(b) The balances in the bank account ABC limited as at 1/1/2021 was ksh 4,000. The cash as at 1/1/2021 was ksh 1,000. During the month of January 2021, the following transactions took place:

January 2: Paid rent by cheque ksh 2,0000

January 3:Cash sales ksh 2,000

January 4: Paid electricity by cash ksh 1,000

January 8: Received credit from customer payments by cheques as follows;

- Charles ksh 4,000
- Jeremiah ksh 8,000
- Chris ksh 6,000

January 12: Paid telephone bill by cheque ksh 6,000

January 15: Cash sales ksh 30,000

January 16: Deposited ksh 24,000 into the business bank account

January 20: Paid suppliers by cheque as follows:

- David ksh 2,000
- Otieno ksh 6,000
- Jared ksh 4,000

January 22: Withdrew ksh 4,000 from the bank account for office use

January 25: cash purchases ksh 3,000

January 28: Withdrew cash ksh 1,000 for personal use

Required :

A dully balanced off two column cashbook for the month of January. [10 marks]

(c) Distinguish between capital expenditures and revenue expenditures and highlight how they are treated in the final books of account. [4 marks]

QUESTION FOUR

(a) State and explain any five types of errors that would not be revealed by the trial balance.

[10 marks]

(b) Financial statements of an organization are prepared to provide specific information to various parties interested with it. State and explain the various external users of accounting information of any organization clearly showing their specific needs. [5 marks]

(c) State and explain any five importance of journals in an organization. [5 marks]
