

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FIRST YEAR EXAMINATION FOR THE AWARD OF CERTIFICATE  
IN TOURISM & HOSPITALITY MANAGEMENT

CHTM 00601: BASIC ACCOUNTING IN HOSPITALITY

STREAMS: CHTM (Y1S2)

TIME: 2 HOURS

DAY/DATE: FRIDAY 09/7/2021

11.30 A.M. – 1.30 P.M.

**INSTRUCTIONS: Answer question ONE and any other TWO questions. Do not write on the question paper**

**QUESTION ONE**

- (a) Explain any four types of errors that may not be reflected by the trial balance [8 marks]
- (b) The following trial balance was extracted from the books of Jacaranda, a sole trader as at 31<sup>st</sup> December

Item	Dr.	Cr.
Capital		120,000
Premises	127,960	
Motor vehicle	18,000	
Fixture and fittings	13,000	
Debtors	10,000	
Provision for bad & doubtful debts		1000
Creditors		14,000
Cash at bank	44,000	
Inventory (1 <sup>st</sup> January 2020)	38,000	
Carriage outwards	7,200	
Carriage inwards	1,400	
Return inwards	5,000	
Return outwards		10,000
Purchases	42,000	
Sales		167,500
Salaries	1,400	
Rent	1,000	
Insurance	800	
Lighting and heating	450	
Office expenses	740	
Motor expenses	860	
Travelling expenses	120	
General expenses	570	
	<u>312,500</u>	<u>312,500</u>

**Additional information:**

- (i) The closing inventory as at 31<sup>st</sup> December 2020 was valued at sh. 30,000
- (ii) Outstanding salaries as at the year-end amounted to sh. 600
- (iii) Provision for depreciation is to be provided on the motor vehicle and fixtures and fittings at the rate of 10% and 20% p.a respectively on straight line method.
- (iv) Provision for bad and doubtful debts was to be set at 15% of the accounts receivable

**Required:**

- (a) Income statement for the year ended 31<sup>st</sup> December 2020 [12 marks]
- (b) Statement of financial position as at 31<sup>st</sup> December 2018 [10 marks]

**QUESTION TWO**

- (a) Explain any three specializations of accounting [6 marks]
- (b) On 31<sup>st</sup> December 2019 Mafuriko had the following balances

Item	Sh.
Capital	25,000
Furniture	8,000
Motor vehicles	14,000
Accounts payable	18,000
Accounts receivable	21,000

During the month of January 2020, the following transactions took place;

Jan 1: Deposited additional sh. 40,000 from his personal savings into business bank account by cheque.

Jan 5: Purchased goods for resale sh. 10000 in cash and sh. 15000 on credit

Jan 8: Sold goods for sh. 20000 on credit

Jan 13: Received a cheque of sh. 18000 from a debtor

Jan 16: Bought a motor vehicle at sh. 35000 by cheque

**Required:**

- (a) Journalize the above transactions [6 marks]
- (b) Post to the ledger account and balance them off [5 marks]
- (c) Extract the respective trial balance as at 31<sup>st</sup> January 2020 [3 marks]

**QUESTION THREE**

- (a) Discuss any four external users of accounting information clearly describing their specific needs for accounting information. [8 marks]
- (b) Haji opened a general shop on 1<sup>st</sup> January 2020 with 112,000 cash and sh. 100,000 into business bank account. He had the following transactions during the month.
- Jan 3: Paid rent by cheque sh. 67,200
- Jan 4: Cash sales amounted to sh.82,000 while a credit sale of sh. 25000 was made to Kathee
- Jan 5: Withdrew sh 11,200 cash for personal use
- Jan 6: Deposited sh. 56,000 into the bank account from the cash till
- Jan 8: Purchased goods on credit from Kaunda sh 12,800
- Jan 12: sold goods to Mukaria sh 3600 on credit
- Jan 13 received a cheque of sh. 3500 from Mukaria in full settlement of his account
- Jan 15: Sold goods on credit to Joshua sh. 15,000
- Jan 16: Paid Kaunda his amount less 15% cash discount by cheque
- Jan 20: Cash sales amounted to 64,100
- Jan 22: Withdrew from the bank sh 2,240 for office use

**Required:**

A duly balanced three column cashbook for the month of January 2020 [12 marks]

**QUESTION FOUR**

- (a) Explain the following concepts as used in accounting
- (i) Historical cost principle [2 marks]
  - (ii) Matching principle [2 marks]
  - (iii) Going concern [2 marks]
  - (iv) Separate entity assumption [2 marks]
- (b) State any two source documents used in accounting clearly explaining their use [4 marks]
- (c) Discuss four qualitative characteristics of accounting information [8 marks]
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