

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF CERTIFICATE IN HOSPITALITY  
MANAGEMENT

CHTM 00601: BASIC ACCOUNTING

STREAMS: CHTM

TIME: 2 HOURS

DAY/DATE: FRIDAY 07/12/2018

11.30 A.M. – 1.30 P.M.

INSTRUCTIONS: Answer question ONE and any other TWO questions

## QUESTION ONE

- (a) Explain any five principles of accounting [10 marks]
- (b) The following trial balance was extracted from the books Mr. Kamau, a sole trader as at

31<sup>st</sup> December 2017

	Dr. (shs)	Cr. (shs)
Stock (1 <sup>st</sup> Jan 2012)	50000	
Freehold premises	240000	
Bills receivable	30000	
Purchases	280000	
Salaries and wages	35000	
Sales		520000
Fixture & fittings	25000	
Discount allowed	7500	
Discount received		4500
Plant & machinery	140000	
Rates	5600	
Advertising	10400	
Insurance	3800	
General expenses	7200	
Provision for bad debts		1800
Sundry debtors	60000	
Bills payable		15000
Sundry creditors		43000
Cash in hand	2400	
Bank overdraft		18600
Drawings	6000	
Capital		<u>300000</u>
	<u>902900</u>	<u>902900</u>

**Additional information:**

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

**Required:**

- (i) Prepare the trading, profit and loss for the year ended 31<sup>st</sup> December 2017 [6 marks]
- (ii) A balance sheet as at 31<sup>st</sup> December 2017 [8 marks]
- (c) State and explain any three objectives of accounting [6 marks]

**QUESTION TWO**

- (a) Explain any five users of accounting information [10 marks]
- (b) The following transactions relates to K-K enterprises for the month of June 2017
  - June 1: started business with capital in cash of kshs 8000 and kshs 22000 in bank
  - June 2: bought goods on credit from J. Waruiru ksh 7100
  - June 4: sold goods on credit to J. Sabina kshs 3400 and G. Bunde kshs 4,200
  - June 6: paid rent & rates by cheque ksh. 6000
  - June 9: Sabina paid for his account by cheque kshs. 3400
  - June 10: J. Waruiru was paid by cheque kshs 4000 for the goods supplied

**Required:**

Pass the journal entries in the books of K-K enterprises to record the above transactions [10 marks]

**QUESTION THREE**

- (a) Explain the qualitative characteristics of accounting information [8 marks]

- (b) The following transactions relating to ABC enterprises occurred in the month of July 2016

July 1: The proprietor deposited capital of kshs 164100

July 2: Received a cheque from Mwangi worth kshs 4725

July 4: Cash sales amounted to shs 12,030

July 6: Paid rent by cash shs 2025

July 7: Banked shs 750 of the cash held by the business

July 15: Cash sales paid directly into the bank kshs 7350

July 24: Paid cheque to S. Kimani kshs 4155

July 29: Withdrew cash from bank for business use kshs 1800

July 31: Paid wages in cash kshs 7770

**Required:**

A fully balanced two column cashbook [12 marks]

**QUESTION FOUR**

- (a) State and explain any six errors not revealed by a trial balance [12 marks]

- (b) Sammy Kiptoo, a trader provides the following transactions that occurred for his business in the month of August 2017.

(i) On 1 Aug 2017, the trader started business and deposited kshs 800,000 into a bank account opened specially for the business

(ii) On 3 Aug 2017, the trader bought a small shop for kshs. 520,000 paying by cheque

(iii) On 6 Aug 2017, the trader bought some goods for kshs. 270,000 from D. Kanake and agreed to pay later

**Required:**

Show the effects of the above transactions on the accounting equation [8 marks]

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