

CHTM 00601

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA AND EMBU CAMPUSES

EXAMINATION FOR THE AWARD OF CERTIFICATE IN HOSPITALITY AND
TOURISM MANAGEMENT

CHTM 00601: BASIC ACCOUNTING

STREAMS: CHTM Y1S1

TIME: 2 HOURS

DAY/DATE: THURSDAY 7/12/2017

2.30 P.M - 4.30 P.M.

INSTRUCTIONS:

- Answer question ONE and any TWO questions

QUESTION ONE

- (a) With relevant examples, explain the following elements of financial statements.
- | | |
|------------------|-----------|
| (i) Assets | [2 Marks] |
| (ii) Liabilities | [2 Marks] |
| (iii) Revenues | [2 Marks] |
| (iv) Expenses | [2 Marks] |
- (b) Explain the following primary qualitative characteristics of accounting:
- | | |
|-------------------------|-----------|
| (i) Relevance | [2 Marks] |
| (ii) Reliability | [2 Marks] |
| (iii) Understandability | [2 Marks] |
- (c) Explain the following Accounting Principles;
- | | |
|------------------------------------|-----------|
| (i) Historical cost principle | [2 Marks] |
| (ii) Revenue realization principle | [2 Marks] |
- (d) Mwakobe had the following transactions for the month ended 31st July 2017.
1. Started business by depositing a cheque of Kshs.20,000 into business bank account.
 2. Bought goods for resale by cheque for Kshs.6000
 3. Paid rent Kshs.2000 by cheque
 4. Sold goods for Kshs.5000 receiving payments by cheque
 5. Bought furniture Kshs.20,000 on credit from Chuka suppliers.
 6. Settle a debt of Kshs.8000 by cheque.

Required:

Pass the journal entries of the above transactions and post to the ledger accounts. [12 Marks]

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QUESTION TWO

- (a) Explain the objective of accounting in an organization. [4 Marks]
- (b) Explain any four errors that do not affect the trial balance. [6 Marks]
- (c) The information given below relates to the daytime express transactions during the month of November 2005:
1. 1st Nov: Started the business by depositing Kshs.80,000 in the company bank account
 2. 3rd Nov: Purchased land for Kshs.52000 paying by cheque
 3. 10th Nov: Purchased a building for Kshs.36000 paying Kshs.6000 by cheque and issuing notes payable for the balance
 4. 20th Nov: Purchased tools and equipment on credit for Kshs.13,800
 5. 30th Nov.: Received a cheque of Ksh.600 in partial collection of accounts receivable of tools and equipment.

Required:

Show the effect of the above transactions on the accounting equation. [10 Marks]

QUESTION THREE

- (a) Explain any five users of accounting information clearly stating their information needs. [5 Marks]
- (b) Munene runs a business in Chuka. The trial balance for the period ended 31/12/2015 is as shown below;

	DR. Kshs.'000'	CR Kshs.'000'
Motor vehicle	3000	
Furniture and fittings	2000	
Stock 1/1/2015	2000	
Purchases	7000	
Sales		15,000
Returns inwards	1000	
Returns outwards		500
Carriage inwards	500	
Carriage outwards		500
Bad debts	1000	
Debtors	3000	
Provision for bad and doubtful debts		200
Rent	1000	
Electricity	700	
Salaries and wages	500	
Drawings	500	
Capital		7000
	<u>22,700</u>	<u>22,700</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:

Draw a trading, profit and loss account for the year ended 31/12/2014.

[9 Marks]

QUESTION FOUR

(a) State any three uses of a general journal

(b) The balances in the business account of Miss. Grace as at 1/1/2003 stood at Kshs.4,000,000.

The cash as at that day was Kshs.1,000,000. During the month of January 2003, the following transactions took place;

1. 2/1/2003: Paid rent by cheque Kshs.1,000,000
2. 3/1/2003: Cash sales Kshs.1,000,000
3. 4/1/2003: Paid for electricity cash Kshs.500,000
4. 8/1/2003: Received from credit customers payment by cheque as follows;
 - Musau Kshs.2,000,000
 - Kiptoo Kshs.4,000,000
 - Kipkemoi Kshs.3,000,000
5. 12/1/2003: Paid telephone bill by cheque Kshs.3,000,000
6. 15/1/2003: Cash sales Kshs.15,000,000
7. 16/1/2003: Deposited Kshs.12,000,000 to the bank account
8. 20/1/2003: Paid suppliers by cheque as follows:
 - Njoroge Kshs.1,000,00
 - Kamau Kshs.3,000,000
 - Otieno Kshs.2,000,000

9. 22/1/2003: Withdrew Kshs.2,000,000 from bank for office use
10. 25/1/2003: Cash purchases for Kshs.1,500,000
11. 28/1/2003: Withdrew cash of Kshs.500,000 for personal use

Required:

Draw a two column cashbook for the month of January 2003.

[17 Marks]

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