

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS

### EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF SCIENCE IN TOURISM AND HOSPITALITY MANAGEMENT

#### BTHM 332: HOSPITALITY ACCOUNTING

STREAMS:

TIME: 2 HOURS

DAY/DATE : TUESDAY 17/04/2018

2.30 P.M – 4.30 P.M

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**INSTRUCTIONS:**

- Answer question one and any other two questions
- Be precise and clear in your answers

(i) (a) Any firm should make available information about its activities to the interested parties. Explain three parties who might be interested in the financial statements explaining their specific needs. [6marks]

(b) Explain FIVE fundamentals concepts assumed as underlying in the conceptual framework and considered important in the preparation of books of accounts. [10marks]

(c) Explain three types of errors that may not affect balancing of a trial balance. [3marks]

(d) On January 2017, Stephen had the following and liabilities

	Ksh
Cash at bank	1,400,000
Stock	4,000,000
Debtors : William	1,500,00
Richard	960,000
Creditors : J.Polo	1,300,000

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S.Matoke	850,000
Office equipments	420,000
Motor van	3,200,000

His transactions during the month of January were as follows:

- Jan 2 withdrew ksh 200,000 from bank for office use.
- Jan 2 purchased goods from J.Polo ksh 250,000 on credit
- Jan 4 bought office stationery ksh 36,000 in cash
- Jan 7 Received cheque ksh 940,000 from Richard in full settlement less ksh 20,000 cash discount.
- Jan 12 sold goods to William ksh 1,400,000 on credit
- Jan 14 paid salaries ksh 80,000 in cash
- Jan 15 paid S.Matoke ksh 600,000 by cheque on account
- Jan 16 returned goods with ksh 30,000 to J.Polo and received credit note.
- Jan 20 bought office equipments ksh 145,000 on credit from Patel brothers
- Jan 23 sold all goods on hand receiving ksh 1,250,000 cash and ksh 5,000,000 by cheque.
- Jan 27 paid Patel brothers ksh 130,000 in cash
- Jan 28 withdrew ksh 370,000 from the bank for personal use.
- Jan 29 paid rent ksh 160,000 in cash and salaries ksh 180,000 by cheque.

**Required :**

Post the above transaction to the relevant ledger accounts and balance them off.

[11marks]

2. The following balances were extracted from the books of George a sole trader in Chuka town for the year ended 30<sup>th</sup> September 2017.

	Ksh
Capital	8,760,000
Drawings	900,000
Trade debtors	1,356,000
Trade creditors	1,626,000
Sales	6,669,600
Insurance	180,000
Sundry expenses	19,200
Purchase of stationery	46,800
Motor vehicles	4,800,000
Fixtures and fittings	432,000
Rates	74,400
Office building	1,950,000
Lighting & power expenses	141,600
Cash in hand	42,600
Bank balance	792,300
Stock 1 October 2016	1,900,200
Discount received	127,800
Discount allowed	74,400
Wages & salaries	1,410,000
Return outwards	164,100
Return inwards	108,300
Purchases	3,141,600
Provision for bad & doubtful debts	199,500
Motor vehicle running expenses	115,800
Bad debts written off	21,600
Postage & telephone	40,800

**Additional information:**

- (i) Stock as at 30<sup>th</sup> Sept 2017 amounted to ksh 1,320,000.
- (ii) One quarter of lighting and power expenses is to be treated as for personal use of George.
- (iii) Depreciation is to be provided as follows:
  - 10% on fixtures and fittings
  - 20% on motor vehicles
  - 5% on office building
- (iv) Provision for bad and doubtful debts at the end of the year is to be equal to 10% of trade debtors.

**Required :**

Prepare an income statement for the year ended 30<sup>th</sup> Sept 2017. [13marks]

(ii) Statement of the financial position as at 30<sup>th</sup> Sept 2017. [7marks]

3. (a) Explain four uses of a trial balance to a firm. [4marks]

(b) Explain the following terms as used in accounting and give examples;

(i) Bad debt [2marks]

(ii) Provision for bad debts. [2marks]

(iii) An asset was bought on 1 January 2017 at a cost of ksh 650,000. It's expected that the useful life of the asset will be five years and at that time it is expected to have a value of ksh 50,000.

**Required :**

(i) Calculate the amount to be charged as depreciation for each year under straight line method. Prepare the necessary accounts. [6marks]

(ii) If 20% is used to change depreciation, calculate the depreciation changed using reducing balance method. Prepare the necessary accounts. [6marks]

4. (a) Explain five objectives of ratio analysis. [5 marks]

(b) The following statements were prepared from the books of HAVANA Restaurant, trading, profit and loss account or the year ended 31<sup>st</sup> December 2016.

	Ksh	Ksh
Sales : cash	720,000	
Credit	<u>1,940,000</u>	2,660,000
Less cost of sales		
Opening stock	250,000	
Purchases (all credit)	<u>1,500,000</u>	
	1,750,000	
Less closing stock	<u>(290,000)</u>	<u>(1,460,000)</u>
Gross profit		1,200,000
Less expenses		<u>(800,000)</u>
		400,000
Less :estimated corporation tax		<u>200,000</u>

	200,000
Less: proposed dividend	<u>(160,000)</u>
Net profit	40,000
Add balance brought forward	<u>150,000</u>
	190,000
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**Balance sheet as at 31<sup>st</sup> December 2016**

	<b>2016</b>	<b>2017</b>
	<b>Ksh</b>	<b>Ksh</b>
Non current assets	650,000	720,000
Current assets		
Stock	280,000	168,000
Debtors	170,000	165,000
Repayments	5,000	7,000
Bank	100,000	20,000
Cash	<u>100,000</u>	<u>20,000</u>
	584,000	360,000
Less current liabilities		
Creditors	50,000	75,000
Taxation	200,000	160,000
Dividends	160,000	150,000
Bank overdraft		<u>45,000</u>
	<u>410,000</u>	<u>430,000</u>
	=====	=====
Net current assets	174,000	(70,000)
	824,000	650,000
Financed by:	=====	=====
Capital :ordinary shares	434,000	360,000
Profit &loss account	<u>190,000</u>	<u>180,000</u>
	624,000	540,000
10% debentures	<u>200,000</u>	<u>110,000</u>
	824,000	650,000
	=====	=====

**Required :** Calculate the following ratios for the year ended 31<sup>st</sup> December 2016.

- (i) Net –current assets turnover. [2marks]
- (ii) Net –profit margin [2marks]
- (iii) Return on capital employed. [2marks]

(b) John commenced a business on Jan 1 2017 with a capital ksh 65,000 in the bank and ksh 10,000 in cash. The transactions for the business during the month of August were as follows:

Aug 4 bought goods on credit from

Brenda ksh 20,000

John ksh 7,500

Kinoti ksh 16,600

Aug 5 paid for shop fitting by cheque ksh 56,000

Aug 6 Paid one months rent by cheque ksh 3,600

Aug 7 Sold goods on credit to:

William ksh 17,500

John Mbalo ksh 16,600

Aug 8 Cash sale ksh 9,000

Aug 11 Bought goods on credit from John ksh 26,000

Aug 14 William and John Mbalo settled their accounts by cheque less 10% discount in each case.

Aug 19 Bought goods by cheque ksh 10,000

Aug 19 Sold goods to P.Oparo on credit ksh 14,000

Aug 21 Cash sales ksh 12,000

Aug 21 Returned goods to William on credit ksh 8,400 and Violet ksh 16,200

Aug 22 Paid sundry expenses in cash ksh 1,500

Aug 26 Violet returned goods for ksh 4,400

Aug 27 Paid Brenda and Kinoti by cheque the amount due less 5% discount in each case.

Aug 28 John cash to bank ksh 10,000

Aug 29 Paid wages in cash ksh 12,500

**Required :**

Balance off the accounts and prepare a trial balance as at 31<sup>st</sup> Aug 2017. [11marks]

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