

CHUKA



UNIVERSITY

UNIVERSITY SUPPLEMENTARY/SPECIAL EXAMINATIONS.

EXAMINATION FOR THE AWARD OF DEGREE OF CERTIFICATE IN
HOSPITALITY AND TOURISM MANAGEMENT

CHTM 00601: BASIC ACCOUNTING

STREAMS:

TIME: 2 HOURS

DAY/DATE: TUESDAY 24/07/2018

8.30 A.M - 10.30 A.M

INSTRUCTIONS:

- Answer **ALL Questions in Section A and any other TWO in Section B**
- Do not write anything on the Question paper.

QUESTION ONE

- (a) With relevant examples, explain the following elements of financial statements
- | | |
|------------------|-----------|
| (i) Equity | [2 Marks] |
| (ii) Liabilities | [2 Marks] |
| (iii) Assets | [2 Marks] |
| (iv) Revenues | [2 Marks] |
| (v) Expenses | [2 Marks] |
- (b) Explain the following primary qualitative characteristic of accounting.
- | | |
|-------------------------|-----------|
| (i) Relevance | [2 Marks] |
| (ii) Reliability | [2 Marks] |
| (iii) Understandability | [2 Marks] |
- (c) State and explain any **three** accounting principles. [6 Marks]
- (d) Ndambuki had the following transactions for the month ended 31st December 2017.
1. Started business by depositing a cheque of Kshs.50,000 into the business bank account.
 2. Bought goods for resale by cheque worth Kshs.100,000.
 3. Paid rent Kshs.2,000 by cheque.
 4. Sold goods for Kshs.22,000 receiving payment by cheque.
 5. Bought furniture for Kshs.40,000 on credit from Chuka suppliers.
 6. Settled a debt of Kshs.10,000 by cheque.

Required:

Pass journal entries for the above transactions and post them top the respective ledger accounts.

[8 Marks]

QUESTION TWO

(a) Explain any four objectives of accounting in an organization.

[8 Marks]

(b) State and explain any four errors that do not affect a trial balance.

[4 Marks]

(c) The information given below relates to day time express transactions during the month of November 2015.

1st November: Started business by depositing Kshs.80,000 in the Company bank account.

3rd November: Purchased land for Kshs.52,000 paying by cheque

10th November: Purchased a building for Kshs.36,000 paying Kshs.6000 by cheque and issuing notes payable for the balance.

20th November: Purchased tools and equipment on credit for Kshs.13,800

Required:

Show the effect of the above transactions on the accounting equations.

[8 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 at show below;

	Dr. Kshs. '000'	Cr Kshs.'000'
Motor vehicle	3,000	
Furniture and fittings	2,000	
Stock 1/1/2015	2,000	
Purchases	7,000	
Sales		15,000
Returns inwards	1,000	
Return onwards		500
Carriage inwards	500	
Carriage outwards		500
Bad debt	1,000	

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Debtors	3,000	
Provision for bad & doubtful debts		200
Rent	1,000	
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:

- (a) Draw a trading, profit and loss account for the year ended 31/12/2014. [9 Marks]
- (b) Draw the balance sheet as at 31/12/2015. [6 Marks]

QUESTION FOUR

- (a) State any three uses of 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 electricity cash Kshs.500,000
 4. 8/1/2003: Received credit 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.1,000,000
 - 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

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

[17 Marks]

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