

CHUKA



UNIVERSITY

**RESIT/ SPECIAL EXAMINATIONS
EXAMINATION FOR THE AWARD OF
CERTIFICATE IN HOSPITALITY AND TOUTISM MANAGEMENT**

CHTM 00601: BASIC ACCOUNTING IN HOSPITALITY

STREAMS: CHTM

TIME: 2 HOURS

DAY/DATE: THURSDAY 13/09/2018

2.30PM – 4.30 PM

INSTRUCTIONS:

Attempt **ALL** Questions

QUESTION ONE

- a) With relevant examples, explain the following elements of financial statements.
- i. Assets
(2mks)
 - ii. Liabilities
(2mks)
- b) The accounting profession has for a long time relied on certain accounting conventions to guide accounting practice. Yet the application of the same conventions have been the source of criticism of the quality and relevance of information contained in financial reports. Some of these conventions include:
- (a) The business entity principle.
 - (h) The historical cost principle.
 - (c) The monetary principle.
 - (d) The matching principle.

Required:

For each of the principles listed above:

- (a) Explain its meaning.
(8marks)
- (b) Justify its use.
(4 marks)
- (c) Explain any weaknesses associated with its use.
(4 marks)

c) Marine Park Resort had the following transactions for the month ended 31st July 2017.

- 1) Started business by depositing a cheque of sh. 20,000 into business bank account
- 2) Withdrew sh 4,000 from bank account into cash till/box.
- 3) Bought goods for resale by cheque for sh. 6,000
- 4) Paid rent sh. 2,000 by cheque
- 5) sold goods for sh. 5000 receiving payment by cheque
- 6) Bought furniture sh. 20,000 on credit from Chuka suppliers
- 7) Settled a debt of sh. 3,000 by cash

Required

Pass the journal entries of the above transactions and post to the ledger accounts.[10 marks]

QUESTION TWO

Mr. Avocado runs Hotel business in Ndagani. The Trial balance for the period ended 31/12/2017 is as shown below.

	DR'00	CR
	0'	'000'
Motor vehicle	3000	
Furniture	2000	
Stock 1/1/2017	2000	
Purchases	7000	
Sales		15000
Return inwards	1000	
Return outwards		500
Carriage inwards	500	
Carriage outwards	500	
Bad debt	1000	
Debtors	3000	
Provision for bad and doubtful debts		200
Rent	1000	
Electricity	700	
Salaries and wages	500	
Drawings	500	
Capital		7000
		<u>22,70</u>
	<u>22,700</u>	<u>0</u>

Additional information

- a) Stock as at 31/12/2017 was sh. 3,000,000
- b) Provision for bad and doubtful debt is to be set at 10% of debtors.

Required

- 1) Trading, profit and loss account for the year ended 31/12/2017
(10mks)
- 2) Balance sheet as at 31/12/2017
(10mks)

QUESTION THREE

1. Explain any four errors that do not affect the balancing of Trial Balance
(8mks)
2. Mr. Tamaa started Hotel business on 1st January 2017 during the first month of trading the following transactions took place.
 - Wrote a personal cheque and deposited into the business bank account Sh800,000
 - Withdrew Sh200, 000 from the bank and put it into the cash till.
 - 2nd Jan, Purchased goods by cheque Sh70,000
 - 3rd Jan, Bought furniture for cash Sh25,000
 - 3rd Jan, Bought equipment on credit Sh75,000
 - 4th Jan, Sold goods for cash Sh100,000
 - 5th Jan, Bought goods and paid by cheque Sh.200,000
 - 6th Jan, Bought a motor van paying by cheque Sh.210,000
 - 10th Jan, Obtain loan from the bank Sh.500,000
 - 12th Jan, Sold goods on credit Sh75,000
 - 16th Jan, Sold goods payment made by cheque Sh.100,000
 - 16th Jan, Received a cheque from a debtor Sh.60,000
 - 30th Jan, Took Sh10,000 from the cash till personal use.

Required

Draw a Two Column Cashbook for the month of January 2017
(12mks)

