



MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)

University Examinations 2013/2014

SCHOOL OF HOSPITALITY AND TOURISM MANAGEMENT

DEPARTMENT OF HOSPITALITY MANAGEMENT

Examination for Diploma in Food and Beverage – Year 3

PRINCIPLES OF ACCOUNTS

Date: 22/7/2014

Time: 2 HOURS

Instructions

Answer all questions

1. London co.ltd offered 10,000 sh.1 ordinary shares for sale to public as follows:

Sh.0.25 on application

Sh.0.35 on allotment including share premium

Sh.0.30 on first call

Sh.0.25 on second call.

Applications were received for 10,000 shares, all of whom were approved by the directors and shares allotted. All shareholders paid allotment money and first call but one shareholder who was allotted 100 shares failed to pay second call.

Required:

Show ledger accounts to record the above transactions.

15marks.

2. You have extracted a trial balance and drawn up accounts for the year ended 31st December 2006. There was a shortage of sh.700 on the credit side of the trial balance, a suspense account being opened for that amount. During 2007 the following errors made in 2006 were located:

i) sh.55 received from sale of an old office equipment has been entered in the sales account.

ii) Purchases day book has been overcast by sh60.

- iii) A private Purchase of sh.115 has been included in the business purchases.
- iv) Bank charges sh. 38 entered in the cash book have not been posted to the bank charges account.
- v) A sale of goods to Boss sh690 was correctly entered in the sales book but entered in the personal account as sh.960.

Required:

- a) Show the requisite journal entries to correct the errors.
- b) Write up the suspense account showing the correction of the errors. (15 marks)

3. The financial year of Better Trading Company ended on 30th December 2007. You obtain the following information for the financial year:

	Shs.
Sales-----cash	344,890
-----credit	268,187
Purchases---cash	14,440
---credit	496,600
Total receipts from debtors	600,570
Total payments to suppliers	503,970
Discounts allowed to all credit customers	5,520
Discounts received from credit suppliers	3,510
Refunds given to cash customers	5,070
Balance in the sales ledger set off against balance in the purchases ledger 70	
Bad debts written off	780
Increase in the provision for bad debts	90
Credit notes issued to credit customers	4,140
Credit notes received from credit suppliers	1,480
As at the close of the previous year, debtors and creditors were sh.26,555 and sh.43,450 respectively.	

Required:

- a) Debtors ledger control account
- b) Creditors ledger control account. (20 marks)

4. The following Receipts and Payments Account was prepared by the Treasurer to a sports Club for the year 2010:

	Shs.
Receipts: Subscriptions	2,198
Sale of an old sports kit	560
Donations	632
Payments: Overdraft b/f	124
New sports equipment	1,200

Refreshments	311
Travelling	472
Office expenses	229
Tournament fees	150
Electricity, Telephone & Postage	285
New furniture	600

The following additional information is available:

i) Subscriptions due on 1st Jan.sh.48, on 31st Dec.sh.56.

ii) Subscriptions in advance on 1st Jan.sh.35, on 31st Dec.sh.61.

iii) Book value of sports kit Sold was sh.560

iv) Value of sports kit and equipment on 1st Jan.sh.2,560. Depreciation on this asset is provided at 30%.

v) Unused refreshment items on 31st Dec. was sh.15.

Required:

Prepare: a) Balance sheet on 1st Jan.2010

b) Income and Expenditure account for the year

c) Balance sheet as at 31st Dec.2010

20marks.