



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 II in Food and Beverage – Year 2

PRINCIPLES OF ACCOUNTS

Date: 22/7/2014

Time: 2 HOURS

Instructions

Answer all questions

1. Distinguish between the following terms:

a)Returns inwards and returns outwards.

b)Discount allowed and discount received.

c)Carriage inwards and Carriage outwards.

d)Capital expenditure and Revenue expenditure.

(20 marks)

2. Explain the causes of the difference in the balance as shown by the bank statement and the cash book.

15marks

3. The following were from the bank columns of the cash book of Burton:

DR	CASH BOOK		CR
Bal.b/f	2,500	smith	200
sales	300	robert	1,300
William	1,200	sundry expenses	100
black	1,500	david	700
sales	700	wages	300
malthus	600	rent	250
		smith	150
		bal. c/f	3,800
	<u>6,800</u>		<u>6,800</u>

He then received the following statement from the bank;

	DR	CR	BALANCE
	shs	shs	shs
balance b/f			2,500
smith	200		2,300
cash		300	2,600
Robert	1,300		1,300
sundry expenses	100		1,200
William		1,200	2,400
david	700		1,700
black		1,500	3,200
wages	300		2,900
rent	250		2,650
cash		700	3,350
charges	100		3,250
standing order	500		2,750

Required:

i) Update the cash book and show the adjusted cash book balance.

ii) Prepare a bank reconciliation statement.

(15marks)

4. Smith and Alex are partners sharing profits and losses in the ratio 2:1 respectively. The following trial balance was extracted from their books on 31st Dec.2011:

	DR.	CR.
Stock(1.1.2011)	500,200	
Purchases and Sales	823,600	1,430,000
Returns	30,600	16,000
Wages	257,500	
Discounts	8,500	12,000
Insurance	17,500	
Heating and lighting	38,400	
Salaries	72,400	
Carriage Outwards	27,100	

Office expenses	7,200	
Loan interest	10,000	
Cash in hand	5,500	
Cash at bank	37,000	
Debtors and Creditors	224,800	195,500
Loan from CFC		200,000
Machinery(bought on 1.7.2010)	300,000	
Machinery bought on 1.1.2011	50,000	
Land and buildings	320,000	
Goodwill	30,000	
Capitals: Smith		570,000
Alex		430,000
Current Accounts: Smith		40,000
Alex	10,000	
Drawings: Smith	83,200	
Alex	<u>40,000</u>	
	<u>2,893,500</u>	<u>2,893,500</u>

Additional Information:

- a) Stock on 31st Dec 2011 was valued at sh.470,000.
- b) On 31st Dec 2011 sh.12,500 owed for wages.
- c) Allow 10% P.a depreciation on Machinery at cost.
- d) Interest on capitals at 5% and Drawings 10%.

REQUIRED:

- a) Trading ,profit and loss and appropriation account for the year ended 31st Dec. 2011.
- b) Partners' Current accounts.

20Marks.