



# MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

SECOND YEAR SPECIAL/ SUPPLEMENTARY EXAMINATION FOR

DIPLOMA IN HOSPITALITY AND TOURISM MANAGEMENT

SHT 031: INTRODUCTION TO HOSPITALITY & TOURISM ACCOUNTING

DATE: 22/3/2021

TIME: 2.00-4.00 PM

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## INSTRUCTIONS:

*Answer question one and any other two questions.*

### QUESTION ONE (30MARKS)

- a) J W right ,a sole trader ,extracted the following trial balance from his books at the close of business on 31 march 2019

	Dr Shs	Cr shs
Purchases and sales	128,840	254,490
Stock 1 April 2017	15,880	
Capital	50,400	
Bank overdraft		4,980
Cash	280	
Discount	4,960	134
Returns	6,972	2,712
Carriage outwards	6,420	
Rent and insurance	17,740	
Provision for doubtful debts		1,260
Fixtures and fittings	3,800	
Van	11,200	
Debtors and creditors	24,836	
Drawings	22,800	
Wages and salaries	78,400	
General office expenses	<u>638</u>	
	<u>336,766</u>	336,766

Notes:

1. Stock 31 march 2019 Ksh 13,610
2. Wages and salaries accrued at 31 march 2019 ksh 7,000; office expenses owing Ksh 32.
3. Rent paid 31 march 2019 ksh 1,200.
4. Increase the provision for doubtful debts by Ksh 220 to Ksh 1,480
5. Provide for depreciation as follows: Fixtures and fittings Ksh 380 van ksh 2,800

**Required**

- i. Prepare income statement for the year ending 31<sup>st</sup> March 2019 (10 marks)
- ii. Prepare statement of financial position as at 31<sup>st</sup> march 2019 (10 marks)
- b) Identify five (5) users of financial accounting information and explain why they need it (5 marks)
- c) List the uses of the trial balance (3 marks)
- d) Explain the meaning of financial accounting (2 marks)

**QUESTION TWO (20 MARKS)**

The following transactions for the month of January of a small finishing retailer, 2019

- |     |    |  |
|-----|----|--|
| Jan | 1  | Started in business with ksh 11,000 cash.  |
|     | 2  | Put ksh 18,000 of the cash into a bank account   |
|     | 3  | Bought goods for cash Ksh 1,100  |
|     | 4  | Bought goods on credit from: T Dry ksh 1,600; F Hood Ksh 1,860; M Smith ksh 160; G Low Ksh 1,120 |
|     | 5  | Bought stationary on credit from Buttons Ltd Ksh 178.  |
|     | 6  | Sold goods on credit to: R Tong Ksh 340; L Fish Ksh 480; M Singh Kshs 652; A Tom Ksh 240.        |
|     | 8  | Paid rent by cheque Ksh 440  |
|     | 10 | Bought fixture on credit from chiefs Ltd Ksh 1,200.  |
|     | 11 | Paid salaries in cash Ksh 1580   |
|     | 12 | Returned goods to: F Hood Ksh 60; M smith Ksh 84   |
|     | 13 | bought van by cheque Ksh 13,000  |
|     | 14 | Received loan from B Barclays by cheque Ksh 4,000  |
|     | 15 | Goods returned to us: R Tong Ksh 40; M Singh Ksh 40.   |
|     | 16 | Cash sale Ksh 290  |
|     | 17 | Sold goods on credit to: L Fish Ksh 260; A Tom Ksh 820; R Pleat Ksh 316                          |
|     | 18 | We paid the following by cheque: F Hood Ksh 1,800; M Smith Ksh 236                               |
|     | 19 | Received cheques from: R Pleat Ksh 316; L Fish Ksh 7400  |
|     | 20 | Received a further loan from B Barclays by cash Ksh 1,000  |
|     | 21 | Received Ksh 1,226 cash from A town  |

**Required:**

- a) Draw and balance off all the accounts (12 marks)
- b) Extract trail balance as at 31<sup>st</sup> January 2019 (8 marks)

### QUESTION THREE (20 MARKS)

- a) Discuss five purposes of source documents (10 marks)
- b) Explain the roles of the following financial statements
- i. Income statement (2.5 marks)
  - ii. Balance sheet (2.5 marks)
  - iii. Trial balance (2.5 marks)
  - iv. Cash flow statements. (2.5 marks)

### QUESTION FOUR (20 MARKS)

- a) Assume that your given the following information of company XYZ for the year ending 31<sup>st</sup> December 2020

	<b>sh</b>
Cash balance as 1.1. 2020	140,000.00
Subscriptions	6,000,000.00
Interest received	500,000.00
Sport material	4,800,000.00
Match fund	3,000,000
Donations	400,000
Sale of grass	60,000
Newspaper expenses	120,000
Investment purchased	2,000,000
Salaries paid	3,200,000
Rent paid	540,000
Miscellaneous receipts	60,000
Telephone charges	240,000
Cash balance as on 31.12.2020	40,000

#### Required

- Prepare income and expenditure for the year ending December 2020 (12 marks)
- b) Explain the various books of original entry. (8 marks)

### QUESTION FIVE (20 MARKS)

- a) Explain the any seven accounting concepts (14 marks)
- b) Explain how you can treat the following in the income and expenditure statement.
- i. Surplus (3 marks)
  - ii. Deficit (3 marks)