



MACHAKOS UNIVERSITY COLLEGE

**(A Constituent College of Kenyatta University)
University Examinations for 2015/2016 Academic Year**

SCHOOL OF BUSINESS AND ECONOMICS

**DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT
SCIENCES**

**FIRST SEMESTER EXAMINATION FOR DEGREE IN BACHELOR OF
SCIENCE IN HOSPITALITY AND TOURISM MANAGEMENT**

**SHT 208: HOSPITALITY AND TOURISM ACCOUNTING
HTM 108: INTRODUCTION TO HOSPITALITY AND TOURISM
ACCOUNTING**

Date: 30/11/2015

Time: 2:00 – 4:00 PM

INSTRUCTIONS

Answer Question One and Any Other Two Questions

QUESTION ONE – COMPULSORY

1. (a) Briefly explain the functions of each of the following ledgers
 - (i) Purchases ledger
 - (ii) Nominal ledger
 - (iii) Sales ledger
 - (iv) General ledger
- (6 marks)

- (b) Describe the use of each of the following business documents
- (i) Purchase invoice
 - (ii) Credit note
 - (iii) Sales credit note
 - (iv) A receipt (6 marks)

- (c) The following information was extracted from the books of Mambo enterprises relating to the year ended 31st December 2013
- Capital as 1st January 2013 Shs. 100,000
- Capital as at 31st December 2013 Shs. 90,000
- Goods taken out of the business for the daughter birthday Shs. 5,000
- Cash withdrawn from the business to pay his sons fees Shs. 10,000
- Mambo deposited Shs, 3,000 in business bank account from his October salary to boost the business (6 marks)

Required

Prepare a statement showing the amount of profit earned during the year 2013 (6 marks)

- (d) The following are important concept which guide accountants when preparing the financial statements
- (i) Materiality concept
 - (ii) Consistency concept
 - (iii) Accruals concept
 - (iv) Going concern concept

Explain the meaning of each of the above concepts describe their implication in the preparation of financial statements. (8 marks)

(e) State four uses of a cash flow statement. (4 marks)

2. Timothy started his business on 1st July 2014 with Shs. 50,000 in the bank and Shs. 30,000 cash.

During the month the following transactions took place.

04.07 Withdrew shs.200,000 from the bank for office use

08.07 Bought stock on credit from Terry shs.3,000

10.07 Cash sales shs.2000

14.07 Paid terry shs.1,000 by cheque

20.7 Bought furniture on credit from Ltd shs.8,000

21.07 Sold goods on credit to Sharon Shs.500

28.07 Bought stationery Shs 300 cash

Required

(a) Record the above transactions in the recent ledger accounts and balance them off as at 28th July 2014. (12 marks)

(b) Extract a trial balance for the month of July 2014. (8 marks)

3. Bessy operates an hardware store. The following is her trial balance for the year ended 31st December 2000.

	Debt (Dr)	Credit (Cr)
	Shs. 000	Shs.000
Land and buildings	8,500	
Vehicles	6,000	
Stock (1.1.2000)	3,000	
Purchases and sales	28,000	52,700
Returns	2,000	1,000
Rent	200	
Furniture	3,500	
Discounts	1,500	2,800
Debtors and creditors	5,000	4, 000

Telephone	300	
Bad debts	2000	
General expenses	3,000	
Electricity	300	
Carriage outwards	500	
Carriage inwards	200	
Wages	4,000	
Capital		9,500
Drawings	<u>2,000</u>	<u> </u>
	70,000	70,000

Stock (31.12.2000) was sh.2 000 000

Prepare

- (a) Trading, profits and loss account for the year ended 31st December 2000
- (b) Balance sheet as at 31st December 2000

4. (a) Below are transaction extracted from the books of Banzo stores for the month of April 2011.
- 04 Purchased goods on credit from Lesha Ltd Shs. 900 invoicenumber 0004 – 01
- 15 Bought goods on credit from Tao traders invoice number 2/14 – 02 shs. 1,000
- 22 Purchased goods on credit from:
- Lisa stores Shs.2,000 invoice number 4321 – 14
- Poa Enterprises shs.6,000 invoice number 1414-01

Required

Record the above transactions in Danzo's purchases journal for the month of April 2011

(8 marks)

- (b) Korir Fashion leaders maintains a perpetual stock inventory system. The inventory manager has recommended the use of Last in First out (LIFO) method. The stock movement for the year ended 31st December 2013 is as follows

Month	Purchases (units)	Price (shs)	Sales (Units)
February	110	22	73
April	60	26	71
June	70	30	49
August	50	28	53
October	80	24	37
December	40	32	71

Prepare Korir's stores card for the year 2013 and establish the value of closing stock.

(12 marks)

5. (a) State and explain clearly any four qualities of good accounting information. (8 marks)

- (b) The following transaction relate to Fatou Business during the month of November 2011

02.04 Customer Lucy paid Shs. 8,000 less Shs. 2,000 cash discount for the goods she had bought on credit

06.04 Paid creditor Tom shs. 100000 by cheque and shs, 5,000in cash for goods purchase on credit

20.04 Bought goods on credit from TLMtradersshs. 12000

24.04 Paid rent shs. 3,000 by cash

28.04 Sold goods on credit to Tasha enterprises shs. 5,000

Required

- (i) Journal entries to record the above transactions (7 marks)
- (ii) Post to the relevant ledger accounts (5 marks)