MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

FOURTH YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF COMMERCE

SHT 108-1: INTRODUCTION TO HOSPITALITY AND TOURISM ACCOUNTING

DATE: **TIME:**

INSTRUCTIONS: Attempt Question One and any other Two Questions

QUESTION ONE (30 MARKS)

a. J Wright, a sole trader, extracted the following trial balance from his books at the close of business on 31 March 2018:

	Dr	Cr
	Shs	Shs
Purchases and sales	61,420	127,245
Stock 1 April 2017	7,940	
Capital	25,200	
Bank overdraft		2,490
Cash	140	
Discounts	2,480	62
Returns inwards	3,486	
Returns outwards		1,356

Carriage outwards	3,210	
Rent and insurance	8,870	
Provision for doubtful debts		630
Fixtures and fittings	1,900	
Van	5,600	
Debtors and creditors	12,418	11,400
Drawings	21,400	
Wages and salaries	39,200	
General office expenses	319	
	168,383	168,383

Notes:

(a) Stock 31 March 2018 Ksh6,805.

(b) Wages and salaries accrued at 31 March 20X9 Ksh3,500; Office expenses owing Ksh16.

(c) Rent prepaid 31 March 2018 Ksh600.

(d) Increase the provision for doubtful debts by Ksh110 to Ksh740.

(e) Provide for depreciation as follows: Fixtures and fittings Ksh190; Van Ksh1,400.

Required:

i. Prepare Income Statement for the year ending 31st March 2018. (10 Marks)
ii. Prepare Statement of Financial Position as at 31st March 2018. (10 Marks)

b) Identify five (5) users of financial accounting information and explain why they need it? (10 marks)

QUESTION TWO (20 Marks)

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

2018

Jan 1 Started in business with Ksh10,500 cash.

2 Put Ksh9,000 of the cash into a bank account.

3 Bought goods for cash Ksh550.

4 Bought goods on credit from: T Dry Ksh800; F Hood Ksh930; M Smith Ksh160; G Low Ksh510.

5 Bought stationery on credit from Buttons Ltd Ksh89.

6 Sold goods on credit to: R Tong Ksh170; L Fish Ksh240; M Singh Ksh326; A Tom Ksh204.

8 Paid rent by cheque Ksh220.

10 Bought fixtures on credit from Chiefs Ltd Ksh610.

11 Paid salaries in cash Ksh790.

14 Returned goods to: F Hood Ksh30; M Smith Ksh42.

15 Bought van by cheque Ksh 6,500.

16 Received loan from B Barclay by cheque Ksh2,000.

18 Goods returned to us by: R Tong Ksh 5; M Singh Ksh 20.

21 Cash sales Ksh 145.

24 Sold goods on credit to: L Fish Ksh 130; A Tom Ksh 410; R Pleat Ksh 158.

26 We paid the following by cheque: F Hood Ksh 900; M Smith Ksh118.

29 Received cheques from: R Pleat Ksh158; L Fish Ksh 370.

30 Received a further loan from B Barclay by cash Ksh 500.

30 Received Ksh614 cash from A Tom.

Required:

i. Draw and balance off all the accounts. (12 marks)
ii. Extract trail balance as at 31st January 2018. (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) The following cash transaction were extracted from the books of pine furniture shop:

2018

May	1	Started in business with capital in cash Ksh1,000.
	2	Paid rent by cash Ksh230.
	3	G Broad lent us Ksh2,000, paid by cheque.
	4	We paid J Fine by cheque Ksh860.
	5	Cash sales Ksh190.
	7	F Love paid us by cheque Ksh34.
	9	We paid A Moore in cash Ksh92.
	11	Cash sales paid direct into the bank Ksh151.
	15	P Hood paid us in cash Ksh96.
	16	We took Ksh100 out of the cash till and paid it into the bank account.
	19	We repaid R Onions Ksh500 by cheque.
	22	Cash sales paid direct into the bank Ksh122.
	26	Paid motor expenses by cheque Ksh75.
	30	Withdrew Ksh200 cash from the bank for business use.
	31	Paid wages in cash Ksh320.

Required:

Write up a two-column cash book. (10 Marks)

b) Briefly explain the following errors not detected by trial balance

i. Error of commission. (2.5 marks)
ii. Error of original entry. (2.5 marks)
iii. Error of principle. (2.5 marks)
iv. Omission Error. (2.5 Marks

QUESTION FIVE (20 MARKS)

Explain the following accounting concepts;

i. Historical cost concept. (2.5 marks)

ii. Going concern concept. (2.5 marks)
iii. Periodicity concept. (2.5 marks)
iv. Monetary unit concept. (2.5 marks)
v. Double entry concept. (2.5 marks)
vi. Objectivity concept. (2.5 marks)
vii. Revenue recognition concept. (2.5 Marks)
viii. Matching concept. (2.5 Marks)