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Bastion of Knowledge...

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OFFICE OF THE DEPUTY PRINCIPAL
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UNIVERSITY EXAMINATIONS

2017 /2018 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER REGULAR EXAMINATION

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**FOR THE DEGREE OF BACHELOR
HOTEL AND HOSPITALITY MANAGEMENT**

COURSE CODE: STH 117

COURSE TITLE: INTRODUCTION TO ACCOUNTING

DATE: April 26th 2018

TIME: 2 PM – 5 PM

INSTRUCTION TO CANDIDATES

- **SEE INSIDE**

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PLEASE

STH 117: INTRODUCTION TO ACCOUNTING**STREAM: BHM****DURATION: 3 Hours****INSTRUCTIONS TO CANDIDATES**

- i. Answer Question ONE and any other TWO questions
- ii. Question ONE carries 30 marks
- iii. Do not write on the question paper

Question One

- a) Identify the primary accounting record for the following prime documents
 - (i) Sales ledger and sales day book (2 marks)
 - (ii) Purchases order and purchases requisition (2 marks)
- b) Mark Swaleh retired from employment on 30 April 2015 and was paid retirement benefits amounting to shs 216,500. With this money Mr. Swaleh started a business in Nairobi on 1 June 2015.

His transactions for the month were as follows:

- June:
- 1 started business with shs 216,500 in cash
 - 2 opened a bank account depositing shs 168,000
 - 4 paid by cheque six months rent in advance shs 72,000
 - 8 Bought furniture by cheques shs 24,000
 - 15 Purchased goods for sale shs 19,500 by cheque
 - 18 Withdrew shs 3,500 from the bank for office use
 - 21 Sold goods for cash shs 28,800
 - 23 Deposited into the bank shs 42,300
 - 25 Purchased goods on credit from J. Barkarey with credit terms of 2/10 net 30 for shs 21,000
 - 26 Sold goods for shs 36,000 receiving payment by cheque
 - 27 Sold goods on credit to T. Kings for shs 14,300
 - 28 Paid wages in cash shs 7,400
 - 28 Paid transport in cash shs 2,400
 - 29 withdrew from bank for personal use shs 12,000
 - 30 Paid electricity shs 4,800 in cash and insurance premium shs 15,000 by cheque
 - 30 Received shs 13,800 cash from T. Kings in full settlement of amounts due from him

Required:-

A three column cash book to record the transactions in the month of June 2015 bringing down balances to 1st July 2015 (15 marks)

- c). Citing an example in each case, briefly explain four types of bookkeeping errors which are not disclosed by a trial balance (7 marks)
- d). Listing the steps describe what is meant by accounting cycle (4 marks)

Question Two

- a. List six instances when general journal may be used for recording transactions in the books of account (6 marks)
- b. Ssemakula, a sole trader received his bank statement for the month of June 2014. At that date the bank balance was shs 706,500 whereas his cash book balance was shs 2,366,500. His accountant investigated the matter and discovered the following discrepancies:
1. Bank charges of shs 3,000 had not been entered in the cashbook
 2. Cheques drawn by Ssemakula totaling shs 22,500 had not yet been presented to the bank
 3. He had not entered receipts of shs 26,500 in his cash book
 4. The bank had not credited Mr. Ssemakula with receipts of shs 98,500 paid into the banks on 30th June 2014
 5. Standing order payments amounting to shs 62,000 had not been entered into the cash book
 6. In the cash book Ssemakula had entered a payment of shs 74,900 , shs 79,400
 7. A cheque for shs 15,000 a debtor had been returned by the bank marked 'refer to drawer' but had not been written back into the cashbook
 8. Ssemakula had brought forward the opening cash balance of shs 329,250 as a debit balance instead of a credit balance
 9. An old cheque payment amounting to shs 44,000 had been written back in the cashbook but the bank had already honored it.
 10. Some of Ssemakula's customers had agreed to settle their debts by paying directly into his account. Unfortunately, the banks had credited some deposits amounting to shs 832,500 to another customer's account. However, acting on information from his customers, Ssemakula had actually entered the expected receipts from the debtors in his cashbook

Required:

- i. A statement showing Ssemakula's adjusted cash book balance as at 30th June 2014 (9 Marks)
- ii. A bank reconciliation statement as at 30th June 2014 (5 Marks)

Question Three

- a) Explain five qualities that good accounting information should possess in order to be useful to the users (10 Marks)
- b) List and explain the fundamental concepts applied in accounting according to the relevant international standard of Accounting (ISA) (10 Marks)

Question Four

The following was extracted from the books of Adam Odhiambo. A sole trader as at 31st August 2011.

	Shs '000'
Freehold land at cost	28,500
Plant and machinery at cost	8,200
Motor vehicle at cost	4,800
Office equipment at cost	2,000
Returns inwards	1,200
Returns outwards	900
Drawings	9,100
Inventory (1 september 2010)	1,650
Discount allowed	850
Discount received	910
Salaries and wages	6,600
Rent and rates	3,600
Bad debts written off	500
Allowances for doubtful debts (1 september 2010)	250
Trade receivables	6,200
Trade payables	5,100
Postage and stationery	230
Electricity	840
Advertising	1,100
Insurance	740
Carriage inwards	360
Carriage outwards	270
15% bank loan	1,000
Loan interest paid	75
Accumulated depreciation:	
Plant and machinery at cost	3600
Motor vehicle	2000
Office equipment	500

Capital	48,355
Purchases	33,300
Sales	51,800
Bank and cash balance	4,300



Additional information

- i. Inventory as at 31st August 2011 was valued at shs 2,200,000
- ii. Salaries and wages outstanding amounted to shs 400,000
- iii. Insurance paid in advance was shs 40,000
- iv. Allowance for doubtful debts is to be decreased to shs 200,000
- v. During the year Adam Odhiambo took good worth shs 360,000 from the business for his own use

Depreciation is to be provided as follows:

Asset	Rate per annum
Plant and machinery	15% on reducing balance method
Office equipment	10% on straight line method
Motor vehicle	25% on straight line method

Required:

- a) Income statement for the year ended 31st Aug 2011(10 marks)
- b) Statement of financial position as at 31st Aug 2011(10 marks)

Question Five

Kamau has a business that has been trading for some time. You are given the following information as at 31.12.2014

	Shs'000'
Buildings	22,000
Furniture and fittings	11,000
Motor vehicles	11,600
Stocks	11,700
Debtors	17,000
Cash at bank	3,000
Cash in hand	800
Creditors	5,000

Capital	61,600
Loan	10,000

Required: Prepare a trial balance as at 31st December 2014
