



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2017/2018 ACADEMIC YEAR
FIRST YEAR SECOND SEMESTER**

**SCHOOL OF TOURISM AND NATURAL
RESOURCE MANAGEMENT
BACHELOR OF TOURISM MANAGEMENT**

COURSE CODE: BTM 1205

COURSE TITLE: PRINCIPLES OF ACCOUNTING

DATE: 30TH APRIL, 2018

TIME: 1100 – 1300 HRS

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **THREE** Questions

*This paper consists of **FOUR** printed pages. Please turn over.*

Question 1

- a) Discuss the various users who may be interested in use of financial statement. (7 Marks)
- b) Explain qualities of useful accounting information (6 Marks)
- c) The following transactions relates to the books of Citizen Ltd for the month of May 2017.

May 1	Started business with sh 2,000,000 in the bank.
May 2	Purchased goods sh 175,000 on credit from M Rooks.
May 3	Bought furniture and fittings sh 150,000 paying by cheque.
May 5	Sold goods for cash sh 275,000.
May 6	Bought goods on credit sh 114,000 from P Scot.
May 10	Paid rent by cash sh 15,000.
May 12	Bought stationery sh 27,000, paying in cash.
May 18	Goods returned to M Rooks sh 23,000.
May 21	Let off part of the premises receiving rent by cheque sh5,000.
May 23	Sold goods on credit to U Foot for sh 77,000.
May 24	Bought a motor van paying by cheque sh 300,000.
May 30	Paid the month's wages by cash sh 117,000.
May 31	The proprietor took cash for himself sh 44,000.

Required

You are to enter the following transactions, completing the double entry in the books for the month of May 2017. (12 Marks)

Question 2

(a) Joe Mwangi is a sole trader who has been operating a business in Thika town for the last three years. During the month of January 2013 the following transactions took place.

- Jan 1: Introduced additional capital into the business amounting to shs. 270,000 cash at bank and shs 30,000 cash in hand.
- Jan 3: Sold goods on credit to K. manga shs 60,000.
- Jan 5: Bought goods on credit from S. Kamau shs 45,000
- Jan 6: Bought goods by cheque shs. 50,000.
- Jan 8: Paid H. Kuria by cheque shs 90,000 and a discount of 3%.
- Jan 13: received from K. Manga in cash the balance due from him less 5% discount.
- Jan 15: sold goods on credit to K. Manga shs. 70,000.

- Jan 19: Paid general expenses by cash shs.10,000.
- Jan 26: paid salaries b cheque shs. 20,000.
- Jan 28: Paid Kamau by cheque shs. 35,000 less 3% discount.
- Jan 31: Withdrew shs 25,000 from the bank for personal use.

Required:-

Prepare a three column cash book for that month. (15 Marks)

Question Three

(a) State the reasons for maintaining control accounts. (5 Marks)

Mary- shop centre, is small business owned by Mary.

During the year to 31 December 2001 the following total transactions occurred:

- a) Mary withdrew a total of Sh.10,000.00 in cash
- b) Stock in trade was bought, all on credit, for Sh.34,000.00
- c) Sales were made totaling 60,000.00 of stock in trade which had cost Sh.37,000.00. Of these sales Sh.51,000.00 were on credit and Sh.9,000.00 for cash.
- d) A total of Sh.16,000.00 was drawn from the bank in cash to the cash till.
- e) Electricity for the year paid by cheque totaled Sh.2,000.00
- f) Rates for the year paid by cheque totaled Sh.1,000.00
- g) Wages for the year all paid cash totaled Sh.10,000.00
- h) Sundry expenses all paid in cash totaled Sh.2,000.00

Required:

Enter the above transactions in appropriate accounts. (10 marks)

Question Four

From the following list of balance, prepare trading, profit and loss a/c for the year ended 31 December, 2014.

Purchases	84,380
Sales	139,420
Returns inwards	2,220
Returns outwards	3,330
Discount received	350

Discount allowed	440
Stock (1/1/2014)	5,550
Carriage outwards	2,100
Wages and salaries	7,890
Rates and insurance	1,230
Carriage on purchases	3,450
Telephone and postage	1,110
Electricity and water	650
Bad debts written off	660
Rent income	2,820
Commission received	3,110

The following additional information is relevant.

- a) Provide 207 depreciation on cars and lorries valued at shs 13,100
- b) Expenses due but unpaid by 31 Dec,2014; salaries 410, telephone 125
- c) Expenses paid in advance; insurance 110, postage 10.
- d) Rent received in advance shs. 280
- e) Commission accrued but not received shs.390
- f) Stock on 31 Dec 2014 was valued at shs.890.

(15 Marks)

Question Five

Using practical accounting transaction, explain the following accounting concepts.

- i. Substance over form
 - ii. Materials
 - iii. Prudence concept
 - iv. Double entry concepts
 - v. Accruals concept
- (Total: 15 Marks)

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