



**MURANG'A UNIVERSITY COLLEGE**  
(A constituent college of Jomo Kenyatta University of Agriculture and Technology)  
**SCHOOL OF HOSPITALITY AND TOURISM**

**END OF TERM MAIN EXAMINATION**

UNIT CODE : HT1248

UNIT TITLE : HOSPITALITY ACCOUNTING

CLASS : HT/FB/16D MODULE TWO

DATE: 18<sup>TH</sup> APRIL 2016

TIME: 3HRS

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**INSTRUCTIONS**

The paper consists of **FIVE** questions. Attempt question **ONE** and any other **THREE** questions from section B

**SECTION A: 25 markks** (Attempt this question and any other **THREE** from section B)

**QUESTION ONE**

a). Define each of the following terms, giving **TWO** examples in each case. (5mks)

- i. Fixed assets.
- ii. Current liabilities

b). Jacob, a sole trader started a business on 1<sup>st</sup> January 2010. The following transactions took place during the month of January 2010.

2010:

Jan 1 Started business with sh100, 000 in cash.

5 Deposited sh. 30,000 into the bank account

8 Bought goods on credit worth sh. 25,000 from kiptoo

14 Sold goods on credit to omollo worth sh.13,000

20 Returned goods worth sh. 2,500 to kiptoo

21 Omollo returned goods worth sh.1,000

23 Took goods worth sh. 600 for his own consumption

25 Took cash sh.5, 000 to pay school fees for his son.

27 Sold good on cash sh.43, 000

30 Received cash from omollo sh. 12,000

31 Withdrew sh. 10,000 from the bank account for business use

**Required**

Prepare ledger accounts to record the above transactions. (10mks)

c. List FIVE users of financial statements. (5mks)

d. Explain why each of the users is interested in the financial statements. (5mks)

**SECTION B.(45 MKS)**

**Attempt any THREE questions from this section.**

**QUESTION TWO**

a). The following balances were extracted from the books of mega wholesalers as at 31<sup>st</sup> December 2015.

|                                    | Sh.     |
|------------------------------------|---------|
| Inventory                          | 7,800   |
| Accounts payable                   | 10,700  |
| Accrued expenses                   | 700     |
| Buildings                          | 130,000 |
| Bank overdraft                     | 1500    |
| Net profit                         | 11,500  |
| Prepaid expenses                   | 1100    |
| Accounts receivable                | 19,800  |
| Capital                            | 100,000 |
| Equipment                          | 2,700   |
| Motor vehicles                     | 10,000  |
| Bank loan (4yrs)                   | 40,000  |
| Fixed deposit account              | 2,900   |
| Cash in hand                       | 1,600   |
| Accumulated depreciation: building | 10,000  |
| Motor vehicles                     | 1,500   |

Prepare a statement of financial position as at 31<sup>st</sup> December 2015. (10mks)

b) Outline FIVE objectives of accounting. (5mks)

### QUESTION THREE

a). The following is the trial balance of koma traders as at 31<sup>st</sup> December 2014.

| Account name           | Dr (sh)           | Cr (sh)           |
|------------------------|-------------------|-------------------|
| Land and buildings     | 8,400,000         |                   |
| Inventory(1.1.2014)    | 781,000           |                   |
| Electricity            | 110,000           |                   |
| Returns inwards        | 65,000            |                   |
| Insurance              | 90,000            |                   |
| Cleaning materials     | 27,000            |                   |
| Discount received      |                   | 13,000            |
| Cash in hand           | 100,000           |                   |
| Discounts allowed      | 25,000            |                   |
| Bank overdraft         |                   | 341,000           |
| Sales                  |                   | 3,220,000         |
| Capital                |                   | 7,800,000         |
| Returns outwards       |                   | 174,000           |
| Furniture              | 590,000           |                   |
| Wages                  | 800,000           |                   |
| Miscellaneous expenses | 50,000            |                   |
| Purchases              | 1,710,000         |                   |
| Accounts payable       |                   | 492,000           |
| Drawings               | 207,000           |                   |
| Accounts receivable    | 285,000           |                   |
| Bank loan              |                   | 1,200,000         |
|                        | <b>13,240,000</b> | <b>13,240,000</b> |

#### Additional information;

Inventory was valued at sh. 853,000 as at 31<sup>st</sup> December 2014.

#### Required;

Prepare an income statement for the year ended 31<sup>st</sup> December 2014. (10mks)

b). Outline FIVE reasons as to why profits are calculated in a business.

### QUESTION FOUR

a). On 31<sup>st</sup> December 2013, the owner of boras retailers lost all the invoices owing to suppliers of goods. However, the rest of the information for the business was available as follows;

|                    |           |
|--------------------|-----------|
|                    | Sh.       |
| Capital            | 500,000   |
| Non-current assets | 1,200,000 |
| Long-term loan     | 700,000   |

|                |        |
|----------------|--------|
| Inventory      | 50,000 |
| Bank overdraft | 25,000 |

Determine the value of the lost invoices. (6mks)

b). Explain the reason why capital is considered as a liability. (2mks)

c). Given the following information;

|                         |       |
|-------------------------|-------|
| Prepaid guests deposits | 1,200 |
| Rent receivable         | 1,300 |
| Accounts payable        | 800   |
| Prepaid insurance       | 500   |
| Marketable securities   | 750   |
| Debtors                 | 1,000 |
| Inventory               | 600   |
| Bank overdraft          | 950   |
| Amount due to creditors | 700   |

Calculate the:

- i. Current rate. (4mks)
- ii. Working capital. (3mks)

#### QUESTION FIVE

a). The following information is available for the year ended 31<sup>st</sup> December 2015. Draw up the trading account for k. Taylor for that year. (9mks)

Sh.

|  |        |
|--|--------|
| Stock (31 <sup>st</sup> December 2015) | 18,504 |
| Returns inwards                        | 1,372  |
| Returns outwards                       | 2,896  |
| Stock (1 <sup>st</sup> January 2015)   | 3,100  |
| Purchases                              | 53,397 |
| Carriage inwards                       | 1,122  |
| Sales                                  | 54,600 |

b). The following situations were encountered by a firm;

- i. The proprietor paid his house rent from his personal bank account, but the amount has been included in office rent.
- ii. The firm has been using reducing balance method of depreciation to depreciate one of its non-current assets, and intends to change to straight line method.
- iii. The firm has some left over stock of consumable stores issued to departments which have a total value of sh.1.300, which has not been included in the inventory.

For each of the above situations;

- i. State the accounting concept that should be applied to resolve. (3mks)
- ii. Explain the meaning of the accounting concept. (3mks)