

2912/204
TOURISM ACCOUNTING
November 2018
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

DIPLOMA IN TOURISM MANAGEMENT

TOURISM ACCOUNTING

3 hours

INSTRUCTIONS TO CANDIDATES

*This paper consists of SEVEN questions.
Answer any FIVE questions in the answer booklet provided.
All questions carry equal marks.
Candidates should answer the questions in English.*

This paper consists of 7 printed pages.

Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.

1. (a) Sanlo Traders started a business on 1 May 2017 with Ksh. 135,000 in cash. The following transactions took place during the month of May 2017:

May 1 Opened a business bank account and deposited Ksh. 80,000 of the cash.

14 Paid rent for Ksh. 8,000 in cash.

31 Purchased goods for Ksh. 40,000 and paid by cheque.

- (i) Prepare ledger accounts to record the above transactions.
 (ii) Balance off the ledger accounts prepared in (i) above,
 (iii) Extract a trial balance as at 31 May 2017. (9 marks)

- (b) The trial balance of Mambax Restaurant prepared on 30 September 2016 failed to agree. The debit side had a shortage of Ksh. 136,000. On investigation, the following errors were revealed:

I. * Sales account balance had been overcast by Ksh. 16,300.

II. Carriage inwards of Ksh. 3,000 had been entered in the carriage outwards account.

III. Rent payable of Ksh. 4,100 had been entered in the bank account as Ksh. 1,400.

IV. Sales returns of Ksh. 7,200 by Saba Traders was omitted from the books.

Prepare:

- (i) journal entries to correct the errors above;
 (ii) a suspense account, duly balanced. (11 marks)

2. (a) Swala Hills Hotel purchased an equipment for Ksh. 240,000 on 1 January 2014. The equipment had an estimated useful life of 8 years. Depreciation is provided for on straight line basis.

For each of the years ended 31 December, 2014, 2015 and 2016, prepare:

- (i) equipment account;
 (ii) provision for depreciation on equipment account. (8 marks)

- (b) The following balances were extracted from the books of account of Mtalii Lodges as at 31 December 2016.

	Ksh
✓ Sales revenue	30,000,000
✓ Purchases	12,000,000
✓ Discounts allowed	60,000
✓ Inventory (1 January 2016)	42,000
Capital	2,749,000
✓ Laundry equipment	12,600,000
✓ Discounts received	45,000
✓ Salaries	2,200,000
✓ Rent	1,700,000
✓ General expenses	4,000,000
✓ Electricity	180,000
✓ Accounts receivable	60,000
✓ Returns outwards	20,000
✓ Carriage inwards	32,000
✓ Cash in hand	42,000
Bank overdraft	55,000
Accounts payable	47,000

Additional information:

- ✓ On 31 December 2016, inventory was valued at Ksh. 36,000.
- ✓ Depreciation on laundry equipment is provided for at 12.5% per annum.
- ✓ Rent paid in advance as at 31 December 2016 was Ksh. 40,000.

Prepare:

- (i) income statement for the year ended 31 December 2016;
- (ii) statement of financial position as at 31 December 2016.

(12 marks)

3. (a) Explain **four** uses of financial information of a business. (8 marks)
- (b) The following balances were obtained from the books of account of Herbivore Restaurant as at 31 December 2016:

	Ksh
Motor vehicles	700,000
Accounts payable	150,000
Rates outstanding	7,000
Rent payable	13,000
Inventories	40,000
Electricity paid in advance	12,000
Cash at bank	129,000
Equipment	197,000

Determine the:

- (i) total assets;
 (ii) total liabilities;
 (iii) capital.

(12 marks)

4. (a) Explain **four** sources of income to a non-profit making organisation. (8 marks)
- (b) Njara and Lebo are in a partnership business. The following information relates to the partnership for the year ended 31 December 2016.

	Njara Ksh	Lebo Ksh
I. Capital accounts - 1 January 2016	2,000,000	500,000
Drawings during the year	300,000	200,000
Current accounts - 1 January 2016	60,000	90,5000

- II. Interest allowed on capital is $2\frac{1}{2}\%$.
- III. Interest on drawings is charged at 5%.
- IV. Lebo is entitled to a monthly salary of Ksh. 15,000.
- V. The balance of profit was Ksh. 180,000 which was shared between Njara and Lebo in the ratio of 4:1, respectively.

- (i) Prepare the partners' current accounts for the year ended 31 December 2016.
- (ii) Comment on the current account balances obtained in (i) above. (12 marks)

- 5 (a) The following information relates to rent and electricity of a firm for the year ended 31 December 2016.

	Rent		Electricity	
	1 January 2016	31 December 2016	1 January 2016	31 December 2016
	Ksh	Ksh	Ksh	Ksh
Prepaid	-	4,000	7,000	-
Accruals	6,000	-	-	5,000

Payments during the year were as follows:

	Ksh
Rent	50,000
Electricity	80,000

For the year ended 31 December 2016, prepare:

- (i) rent account;
 (ii) electricity account. (10 marks)
- (b) On 31 August 2017, the cash book (bank column) of Chapaa Traders showed a balance of Ksh. 65,000 while the bank statement showed a balance of Ksh. 48,000. The discrepancy was due to the following:

- I. Bank charges of Ksh. 3,000 was reflected in the bank statement only.
- II. A debtor had paid Ksh. 70,000 directly to the bank.
- III. Unpresented cheques amounted to Ksh. 32,000.
- IV. Bank interest earned of Ksh. 4,000 had not been reflected in the cash book.
- V. Uncredited cheques amounted to Ksh. 120,000.

Prepare:

- (i) updated cash book;
 (ii) bank reconciliation statement. (10 marks)

- 6 (a) Explain **four** benefits of Automated Teller Machines (ATM) to the bank. (8 marks)

- (b) The following balances were obtained from the books of account of Neema Tours Limited as at 31 December 2016:

	Ksh
8,000,000 ordinary shares of Ksh. 5 each	40,000,000
8% 200,000 preference shares of Ksh. 20 each	4,000,000
✓ Inventories	20,000,000
✓ Accounts payable	160,000
✓ Cash in hand	850,000
✓ Accounts receivable	75,000
✓ Dividends payable	4,440,000
✓ Cash at bank	22,233,000
✓ Motor vehicles	1,200,000
✓ Furniture	700,000
✓ Insurance on buildings paid in advance	42,000
✓ Land and buildings	3,500,000

Prepare statement of financial position as at 31 December, 2016. (12 marks)

7. (a) The following transactions relate to Twiga Enterprises for the month of March 2017:

- March 1 Sold goods for Ksh. 160,000 on credit to Saloma. Invoice number 213.
- 5 Sold goods for Ksh. 102,000 on credit to Martin. Invoice number 214.
- 12 Sold goods for Ksh. 195,000 on credit to Luke. Invoice number 215.
- 15 Martin returned goods for Ksh. 5,000. Note number 191.
- 20 Sold goods for Ksh. 75,000 on credit to Ruth. Invoice number 218.
- 24 Sold goods for Ksh. 72,000 on credit to Jane. Invoice number 219.
- 31 Ruth returned goods for Ksh. 2,000. Note number 192.

Prepare:

- (i) sales journal;
- (ii) returns inwards journal. (9 marks)

- (b) The following information shows the accounts receivable of a firm and the percentage of doubtful debts at the end of each year, for a period of 3 years.

Year	Accounts Receivable	Percentage provision for doubtful debts
2014	1,500,000	2%
2015	4,000,000	3%
2016	3,000,000	2.5%

For each of the years ended 31 December, 2014, 2015 and 2016, prepare provision for doubtful debts account. (11 marks)

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