

2912/204
TOURISM ACCOUNTING
November 2022
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

DIPLOMA IN TOURISM MANAGEMENT

TOURISM ACCOUNTING

3 hours

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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.*

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This paper consists of 8 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) Explain each of the following accounting concepts:

- (i) Business entity concept.
- (ii) Money measurement concept.
- (iii) Dual aspect concept.
- (iv) Accruals concept.

(8 marks)

(b) The following balances were extracted from the books of account of Beba Tours as at 31 December 2021.

	Ksh.
Motor vehicles	12,00,000
Bank	250,000
Loan from Utalii Bank	3,200,000
Furniture and fittings	1,000,000
Net profit for the year	1,500,000
Capital	14,500,000
Creditors	1,250,000
Debtors	2,800,000
Accrued electricity	200,000
Prepaid insurance	600,000
Stock at 31 December 2021	4,000,000

Prepare balance sheet as at 31 December 2021.

(12 marks)

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2. (a) Explain **four** errors that may not be disclosed by a trial balance. (8marks)
- (b) The following information relates to the sales ledger of Forest Tours for the month of January 2022.

2022	Ksh.
January: 1 Purchases ledger balances	118,740 Cr.
Sales ledger balances	197,440 Dr.
Totals for the month: Purchases journal	1,545,620
Sales journal	1,995,620
Returns outwards journal	26,480
Returns inwards journal	45,000
Cheques paid to suppliers	1,461,000
Cheques received from customers	1,859,000
Discounts allowed	58,000
Discounts received	21,340
Contra settlements	10,000
Bad debts written off	20,000
Petty cash paid to suppliers	780
31 January: Purchases ledger balances	145,300 Dr.
Sales ledger balances	220,000 Cr.

Prepare:

- (i) sales ledger control account.
- (ii) purchases ledger control account.

(12 marks)

3. (a) Explain each of the following terms as used in accounting:

- (i) Prepaid salaries.
- (ii) Accrued electricity.
- (iii) Accrued commissions income.
- (iv) Prepaid rent income.

(8 marks)



- (b) The following is the receipts and payments account of Soman Tours Club for the year ended 31 December 2021.

Receipts and Payments Account		
	Ksh.	Ksh.
Balance brought down		(100,000)
Receipts		
Donations	2,000,000	
Interest from bank	280,000	
Sale of tickets	3,000,000	
Subscriptions		
for the year - 2020	120,000	
- 2021	1,695,000	
- 2022	<u>165,000</u>	<u>7,260,000</u>
		7,160,000
Payments		
Transfer to fixed deposit	1,200,000	
Purchase of tickets	1,500,000	
Salaries	800,000	
Secretarial expenses	<u>80,000</u>	<u>3,580,000</u>
Balance carried down		<u>3,580,000</u>

Additional information:

- The club's committee decided to capitalize the donations.
- Accrued subscriptions amounting to Ksh. 75,000 relating to the year 2020 were written off.

Prepare income and expenditure account for the year ended 31 December 2021.

(12 marks)

4. (a) Highlight four features of a fixed deposit account.

(8 marks)



- (b) Okendo and Moha operate a business as a partnership.

The following information relates to the business for the year ended 31 December 2021.

	Ksh.
Office equipment	19,500
Motor vehicles	27,600
Stock (1 January 2021)	74,910
Sales	271,110
Purchases	214,890
Salaries	25,251
Office expenses	4,110
Discounts allowed	1,689
Capital:	
Okendo	81,000 Cr.
Moha	36,000 Cr.
Drawings:	
Okendo	10,800
Moha	12,600

Additional information as at 31 December 2021.

- Depreciation is charged as follows:
 - I. Office equipment Ksh. 1,950 per annum
 - II. Motor vehicles Ksh. 5,520 per annum
- Interest on capital is allowed at 10%.
- Interest on drawings is charged at 5%.
- Accrued office expenses amounted to Ksh. 330.

Prepare the partners' trading profit and loss appropriation account, for the year ended 31 December 2021. (12 marks)

5. (a) Highlight four uses of a trial balance. (8 marks)



(b)

The following is the trial balance of Maendeleo Limited as at 31 December 2021.

Dr.	Ksh.		Ksh.	Cr.
Premises	17,200,000	General reserve	2,000,000	
Ordinary shares	20,000,000	8% preference shares	10,000,000	
Prepaid electricity	2,620,000	Bank	2,380,000	
Profit and loss (1 January 2021)	2,500,000	Debtors and creditors	2,700,000	
Net profit for the year	6,000,000	Net profit for the year	4,000,000	
Machinery	12,000,000	Provision for depreciation on machinery	2,000,000	
Stock (31 December 2021)	1,000,000	Provision for bad debts (31 December 2021)	800,000	
Prepaid insurance	1,800,000	Dividends paid:		
		- Preference	400,000	
		- Ordinary	600,000	
			<u>44,000,000</u>	
				<u>44,000,000</u>

Additional information:

- Corporation tax for the year amounted to Ksh. 1,000,000.
- The directors recommended the following:

- transfer Ksh. 1,000,000 to the general reserve.
- pay the outstanding preference dividend.
- pay a final ordinary dividend of 15%.

Prepare:

- (i) profit and loss appropriation account for the year ended 31 December 2021.

- (ii) balance sheet as at 31 December 2021.



6. (a) Highlight **four** reasons for charging depreciation on non-current assets. (8 marks)
- (b) On 2 January 2022, Ngelepa started business with Ksh. 500,000 in the bank and Ksh. 80,000 in cash.

During the month, the following transactions took place.

- January: 3 Purchased equipment for Ksh. 200,000 and paid by cheque.
 4 Purchased goods for Ksh. 50,000 and paid in cash.
 6 Made cash sales for Ksh. 100,000.
 8 Withdrew Ksh. 55,000 from bank for business use.
 10 Paid electricity Ksh. 10,000 through mobile banking.
 12 Paid wages Ksh. 20,000 by cheque.
 18 Purchased a machinery for Ksh. 150,000 and paid by cheque.
 20 Received a bank overdraft of Ksh. 100,000 from KTB.
 22 Deposited Ksh. 45,000 of the cash into the bank account.
 28 Purchased goods for Ksh. 40,000 and paid in cash.
 29 Made sales of Ksh. 80,000 which were directly banked.
 31 Deposited all the cash except Ksh. 20,000.

Prepare a two-column cashbook. (12 marks)

7. (a) The following information relates to the debtors of Wada Tours as at 31 December:

Year		Ksh.	Provision for bad debts
2019	Debtors	200,000	5%
2020	Debtors	250,000	10%
2021	Debtors	300,000	4%

During the year ended 31 December 2021, bad debts amounting to Ksh. 50,000 were recovered.

For the years; 2019, 2020 and 2021, prepare:

- (i) provision for bad debts account;
 (ii) bad debts recovered account;
 (iii) profit and loss (extract).

(8 marks)



(b) The following transactions relate to Yogo Traders for the month of January 2022:

- January: 2 Started business with Ksh. 90,000 in cash and Ksh. 200,000 at the bank.
4 Purchased goods for Ksh. 100,000 and paid by cheque.
6 Made cash sales for Ksh. 80,000.
8 Purchased equipment for Ksh. 150,000 and paid by cheque.
10 Received a cheque for Ksh. 45,000 from Omondi.
22 Paid Nyaleso Ksh. 60,000 by cheque.
31 Deposited Ksh. 50,000 from the cash till into the bank account.

Prepare ledger accounts to record the transactions above and balance them off.

(12 marks)

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