

2912/204

**TOURISM ACCOUNTING**

July 2023

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 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 term as used in accounting:

- (i) Non-current assets.
- (ii) Current assets.
- (iii) Capital.
- (iv) Working capital.
- (v) Share.

(10 marks)

(b) The following transactions relate to Victoria Torus and Hotels for the month of May 2022:

- May : 1 Started business with Ksh.10,000,000 in the bank.
- 3 Purchased a motor vehicle for Ksh 5,000,000 and paid by Cheque.
- 4 Purchased goods for Ksh 100,000 and paid by cheque.
- 5 Withdrew Ksh80,000 from the bank for office use.
- 8 Sold goods for Ksh 120,000 and received cash.
- 19 Received a loan of Ksh 1,000,000 from Akili Bank.
- 20 Sold goods for Ksh 40,000 to Manoty on credit.
- 25 Purchased goods for Ksh 90,000 from Chayo Traders on credit.
- 31 Banked all the cash except Ksh 50,000.

Prepare ledges accounts to record the transactions above.

(10 marks)

2. (a) Explain five services that are offered by commercial banks to their customers.

(10 marks)

- (b) The following information was extracted from the books of account of Maleba Tours as at 31 December 2021.

	Ksh.
Sales	1,220,000
Purchases	440,000
Stock (1 January 2021)	40,000
Returns Inwards	20,000
Stock 31 December 2021	80,000
Provision of bad debts (1 January 2021)	282,000
Provision of bad debts (31 December 2021)	200,000
Bad debts recovered	45,000
Bad debts written off	26,000
Discounts received	32,000
Discounts allowed	28,000
Bank interest paid	45,000
Depreciation on motor vehicles	120,000
Wages	100,000
Insurance	60,000
Electricity	80,000
Rent income	120,000

Prepare income statement for the year ended 31 December 2021.

(10 marks)

3. (a) Explain each of the following accounting errors:

- (i) Transposition;
- (ii) Complete reversal of entries;
- (iii) Error of principle;
- (iv) Error of original entry.

(8 marks)

(b) The following is the trial balance of Panda Football Club as at 31 December 2021.

	Dr Ksh	Cr Ksh
Club house	630,000	
Motor vehicles	204,000	
Profits from raffles		147,000
Subscriptions		540,000
Wages of bar staff	84,000	
Bar stock (1 January 2021)	51,000	
Bar purchases	330,000	
Bar sales		510,000
Groundsman's wages	21,000	
Trainer's salary	18,000	
General expenses	17,400	
Cash at bank	30,000	
Accumulated fund	<u>          </u>	<u>188,400</u>
	<u>1,385,400</u>	<u>1,385,400</u>

Additional information:

- Bar stock as at 31 December 2021 was valued at Ksh 45,000.
- Subscriptions received in advance from members as at 31 December 2021 amounted to Ksh 54,000.
- Provide depreciation on the motor vehicles at Ksh 40,000.

Prepare:

- income and expenditure account for the year ended 31 December 2021.
- balance sheet as at 31 December 2021.

(12 marks)

4. (a) The following balances were extracted from the purchases ledger of Nangumi Travels as at 31 May 2021.

	<b>Ksh.</b>	
1 May: purchases ledger balances:	400,000	Credit
	20,000	Debit
<b>Totals for the month</b>		
Purchases day book	1,200,000	
Purchases returns day book	150,000	
Discounts received	250,000	
Contra settlements	120,000	
Cheque payments to creditors	800,000	
Cash payments to creditors	40,000	

31 May: purchases ledger balance Ksh 60,000 (Debit).

Prepare purchases ledger control account. (10 marks)

- (b) The following information relates to Nguru Tours for the month of May 2022.

	<b>Ksh.</b>
Cash at bank as per the cash book	7,792,000
Bankings made but not yet entered in the bank statement	1,212,000
Bank charges	56,000
Unpresented cheques	234,000
Standing orders	110,000
Credit transfers	378,000
A debit entry wrongly made by the bank	100,000
Balance as per bank statement	6,926,000

Prepare a bank reconciliation statement of the month of May 2022. (10 marks)

5. (a) The following information relates to the rates and stationery expenses for Lunda Tours Limited for the year ended 31 December 2021.  
Balances as at 1 January 2021:  
- Rates Ksh 100,000 Dr  
- Stationery Ksh 40,000 Dr

Transactions during the year:

- I. Rates amounting to Ksh 150,000 were paid to cover the period, 01 January 2021 to 31 March 2022.
- II. The amount paid for stationery was Ksh 120,000.
- III. Balances as at 31 December 2021:

-	Suppliers for stationery	20,000
-	Stock of stationery	50,000

Prepare:

- (i) Rates expenses account.
- (ii) Stationery expense account. (10 marks)

- (b) The following information relates to motor vehicles owned by Watamu Touring Company.

Registration	Date of Acquisition.	Cost
		Ksh
KA 001	1 January 2020	2,000,000
KB 002	1 January 2021	1,500,000
KC 003	1 July 2021	3,000,000

Depreciation is charged at the rate of 20% per annum, using the straight line method, on pro-rata basis.

For each of the years ended 31 December 2020 and 2021, prepare:

- (i) motor vehicles account.
- (ii) accumulated provision for depreciation on motor vehicles account. (10 marks)

6. (a) Highlight four differences between debentures and ordinary shares. (8 marks)

(b) Makuti tours maintains a petty cashbook on an imprest system, with a weekly cash float of Ksh 20,000.

During the week ending 7th March 2022, the following transactions took place:

May :

- 1 The petty cashier received the cash float from the main cashier.
- 2 Paid stationery Ksh 2,000.
- 3 Bought printing papers Ksh 1,000.
- 4 Paid cleaner's wages Ksh 4,000.
- 5 Paid taxi fare Ksh 1,000.
- 6 Bought sugar Ksh 1,000.
- 7 Paid casual workers Ksh 1,000.
- 7 Bought milk Ksh 1,200.

Prepare a petty cash book using the following analysis columns:

- Stationery
- Wages
- Transport
- Staff tea

(12 marks)

7. (a) The following information relates to the debtors of Nyamu Tours Limited as 31 December.

Year	Bad debts written off Ksh	Debtors at 31 December Ksh	Provision for doubtful debts Ksh
2019	65,000	220,000	4%
2020	18,000	400,000	6%
2021	38,000	600,000	5%

For each of the years ended 31 December 2019, 2020 and 2021, prepare:

- (i) bad debts written off account.
- (ii) provision for doubtful debts account. (8 marks)

(b) The following is the balance sheet of Joto Tours as at 1 January 2022:

Fixed assets	Ksh		Ksh
Motor vehicles	800,000	Capital	1,000,000
Equipment	<u>400,000</u>	Current liabilities	
	1,200,000	Creditors	600,000
Stock 100,000		Bank overdraft	500,000
Debtors 800,000	<u>900,000</u>		
	<u>2,100,000</u>		<u>2,100,000</u>

The following transactions took place during the first week of the month:

January :

- 2 Received a loan of Ksh 1,200,000 from Shinda Bank.
- 2 Purchased stock for resale Ksh 200,000 and paid by cheque.
- 3 Sold stock costing Ksh 100,000 for Ksh 300,000 and received cash.
- 4 Withdrew Ksh 50,000 from bank for office use.
- 5 Paid creditors Ksh 200,000 by cheque.
- 6 Received a cheque of Ksh 400,000 from Kama, a debtor.

Prepare Joto Tours balance sheet as at 6 January 2022.

(12 marks)

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