

2912/204

TOURISM ACCOUNTING

July 2019

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 6 printed pages.

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

- (a) Explain **four** causes of depreciation of fixed assets. (8 marks)
- (b) The following trial balance was extracted from the books of account of Marah Hotels for the year ended 31 December 2016.

	Dr Ksh	Cr Ksh
Cash in hand	600,000	
Sales revenue		8,000,000
General expenses	1,600,000	
Purchases	2,000,000	
Capital		9,890,000
Inventory (1 January 2016)	240,000	
Motor vehicles	8,800,000	
Furniture	400,000	
Accounts receivable	167,000	
Accounts payable		117,000
Cash at bank	1,200,00	
Salaries	<u>3,000,000</u>	
	<u>18,007,000</u>	<u>18,007,000</u>

Additional information:

- Depreciation on motor vehicles is to be provided for at 20% per annum.
- Depreciation on furniture was estimated at Ksh. 120,000 for the year.
- Salaries in arrears as at 31 December 2016 was Ksh 56,000.
- Inventory as at 31 December 2016 was valued at Ksh 182,000.

Prepare:

- (i) income statement for the year ended 31 December 2016;
- (ii) statement of financial position as at 31 December 2016. (12 marks)

2. (a) Outline the financial need of each of the following users of accounting information:

- (i) Shareholders;
- (ii) Employees;
- (iii) Managers;
- (iv) Lenders. (8 marks)

- (b) The following is the cash book and the bank statement of Atlantic Hotels for the month of June 2017.

Cash Book					
2017		Ksh	2017		Ksh
June 1	Balance b/f	90,000	June 2	Peter	33,000
8	Serem	55,000	6	Beth	28,000
18	Tom	92,000	10	Eunice	75,000
26	Ikonya	30,000	16	Ruth	22,000
29	Ann	44,000	23	John	18,000
30	Meja	<u>36,000</u>	30	Balance c/f	<u>171,000</u>
		<u>347,000</u>			<u>347,000</u>

Bank Statement				
Date	Detail	Dr	Cr	Balance
2017				
June 1	Balance b/f			90,000
4	Direct deposit		41,000	131,000
6	Standing order	29,000		102,000
11	Cheque - Beth	28,000		74,000
14	Deposit		55,000	129,000
15	Deposit		30,000	159,000
18	Cheque - Peter	33,000		126,000
21	Cheque - Eunice	75,000		51,000
23	Deposit		92,000	143,000
29	Dividends		6,000	149,000
30	Bank charges	4,000		145,000

Prepare:

- updated cash book;
- bank reconciliation statement. (12 marks)

3. (a) Classify each of the following items as either an asset or a liability:

- Salaries paid in advance;
- Inventory;
- Accounts payable;
- Accounts receivable;
- Bank overdraft;
- Cash in hand;
- Rent outstanding;
- Furniture. (8 marks)

- (b) On 1 May 2017, Watalii Social Club had balance of Ksh 85,000. The following are receipts and payments for the month of May 2017:

	Ksh
Electricity bill	3,000
Subscriptions received	585,000
Rental income	65,000
Hiring fees for mower	17,500
Wages to groundsman	14,000
Committee expenses	36,000
Maintenance to sports ground	8,500
Sale of old equipment	26,000
Hiring fees for tents	9,500

Prepare receipts and payments account for the month of May 2017. (12 marks)

4. (a) The following information has been provided by the sales department of Msafiri Traders for the month of June 2017:

	Ksh
Sales ledger - debit balance	91,000
Cash received from debtors	180,000
Bad debts written off	27,000
Discounts allowed	3,500
Dishonoured cheques	19,200
Cheques received from debtors	112,000
Credit sales	305,000
Sales returns	41,300

Prepare sales ledger control account for the month of June 2017. (10 marks)

- (b) Musa started a business with Ksh 420,000 in a bank account on 1 January, 2017. The following transactions took place during the month:

- January 4: The proprietor withdrew Ksh 80,000 from the bank for business use.
 6: Bought furniture for Ksh 40,000 in cash.
 15: Purchased goods for Ksh 180,000 and paid by cheque.
 24: Sold goods for Ksh 140,000 on credit to Loice.
 31: Cash sales amounted to Ksh 30,000.

- (i) Prepare ledger accounts to record the above transactions.
 (ii) Balance off the ledger accounts prepared in (i) above. (10 marks)

5. (a) The table below shows accounts receivable and the percentages of bad debts written off as at 31 December 2012, 2013, 2014, 2015 and 2016.

Year	Accounts Receivable	Bad debts written off (Percentage)
2012	8,000,000	2%
2013	5,000,000	4%
2014	10,000,000	3%
2015	12,000,000	2%
2016	6,000,000	2.5%

For each of the years ended 31 December 2012, 2013, 2014, 2015 and 2016, prepare bad debts account. (10 marks)

- (b) Zebra Traders has provided the following balances as at 30 June, 2017:

	Ksh
Sales	850,000
Bank overdraft	48,000
Purchases	930,000
Accounts receivable	260,000
Capital	1,494,000
Salaries	420,000
Electricity	24,000
Carriage inwards	12,000
Accounts payable	33,000
Drawings	14,000

Prepare trial balance as at 30 June 2017. (10 marks)

6. (a) The following transactions relate to Daima Traders for the month of February 2017.

- February 2 Purchases goods on credit from Lucas for Ksh 80,000, invoice number 147.
- 9 Returned goods to Lucas for Ksh 8,000, note number 118.
- 15 Purchased goods on credit from Kelly for Ksh 115,000, invoice number 148.
- 16 Purchased goods on credit from Beato for Ksh 90,000, invoice number 149.
- 19 Returned goods to Kelly for Ksh 6,000, note number 120.
- 28 Purchased goods on credit from Nancy for Ksh 60,000, invoice number 150.

Prepare:

- (i) purchases day book;
 (ii) returns outwards day book. (8 marks)

- (b) Paul and Rahima are in partnership, sharing profits and losses in the ratio of 3:1, respectively. The following information relates to the partnership for the year ended 30 June 2017.

	Ksh
(i) Capital - 1 July 2016:	
Paul	75,000
Rahima	25,000
(ii) Drawings: Paul	10,000
(iii) Net profit for the year	160,000
(iv) Interest on drawings is charged at 4%.	
(v) Interest on capital is allowed at 3%.	
(vi) Rahima is entitled to a monthly salary of Ksh 7,500.	

Prepare profit and loss appropriation account for the year ended 30 June 2017.

(12 marks)

7. (a) Explain **four** advantages of Automated Teller Machines (ATM) to a customer of a bank. (8 marks)

- (b) The trial balance of Simba Enterprises prepared on 31 December 2016 failed to agree. The debit side exceeded the credit side by Ksh 4,400. Upon investigations, the following errors were revealed:

- I. Rent received of Ksh 24,000 had been recorded in the cash account as / Ksh 20,400.
- II. Purchases had been overcast by Ksh 26,000.
- III. Sale of old furniture for Ksh 18,000 had been entered in the sales account.

Prepare:

- (i) journal entries to correct the errors above;
 (ii) suspense account duly balanced. (12 marks)

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