



MACHAKOS UNIVERSITY

University Examinations 2022/2023

SECOND YEAR FIRST TERM EXAMINATION FOR

DIPLOMA IN FOOD AND BEVERAGES MANAGEMENT

DIPLOMA IN CATERING AND ACCOMMODATION MANAGEMENT

MODULE 2 –TERM 1 2023 CLASS

2802/201/, 2819/202-HOSPITALITY ACCOUNTING

DATE: 23/3/2023

TIME: 2:30 – 5:30 PM

Instructions: Answer All questions.

QUESTION ONE COMPULSORY

- a) Accounting is important in any organization define accounting and give two qualities of a good financial report. (4 marks)
- b) Using the information below write up a two-column cash book and balance off as at the end of the month:

2013

- | | | |
|-----|----|--|
| May | 1 | Started business with capital in cash sh1,000. |
| “ | 2 | Paid rent by cash sh 100. |
| “ | 3 | F Lake lent us sh 5,000, paid by cheque. |
| “ | 4 | We paid B McKenzie by cheque sh 650. |
| “ | 5 | Cash sales sh 980. |
| “ | 7 | N Miller paid us by cheque sh 620. |
| “ | 9 | We paid B Burton in cash sh 220. |
| “ | 11 | Cash sales paid direct into the bank sh 530. |
| “ | 15 | G Moores paid us in cash sh 650. |

- “ 16 We took sh 500 out of the cash till and paid it into the bank account.
- “ 19 We repaid F Lake sh 1,000 by cheque.
- “ 22 Cash sales paid direct into the bank sh 660.
- “ 26 Paid motor expenses by cheque sh 120.
- “ 30 Withdrew sh 1,000 cash from the bank for business use.
- “ 31 Paid wages in cash sh 970. (16 marks)

c) Briefly discuss five users of financial statements (10 marks)

QUESTION TWO

Mr J Ockey commenced trading as a wholesaler stationer on 1 May 2010 with a capital of sh5,000.00 with which he opened a bank account for his business.

During May the following transactions took place.

May 1 Bought shop fittings and fixtures from store fitments Ltd for sh2,000.00

May 2 Purchased goods on credit from Abel sh650.00

May 4 Sold goods on credit to Bruce sh700.00

May 9 Purchased goods on credit from Green sh300.00

May 11 Sold goods on credit to Hill sh580.00

May 13 Cash sales paid into bank account sh200.00

May 16 Received cheque from Bruce in settlement of his account

May 17 Purchased goods on credit from Kay sh800.00

May 18 Sold goods on credit to Nailor sh360.00

May 19 Sent Cheque to Abel in settlement of his account

May 20 Paid rent by cheque sh200.00

May 21 Paid delivery expenses by cheque sh50.00

May 24 Received from Hill sh200.00 on account

May 30 Drew cheque for personal expenses sh200.00 and assistant wages sh320.00

May 31 Settled the account of Green.

- a) Record the transactions in the books of original entry.
- b) Post the entries in the ledger accounts

- c) Balance the ledger accounts where necessary
- d) Extract a trial balance as at 31 May 2010 (20 marks)

QUESTIN THREE

- a) “Financial statements are based largely on estimates and the application of accounting rules for recognition and allocation. To facilitate preparation and interpretation of useful accounting information, accountants depend on conventions or rules of thumb and generally accepted accounting principles”. Discuss this statement. (10 marks)

- b) C Kings has the following items in his balance sheet as on 30 June 2002. (10 marks)

Capital £41,800, Creditors sh3,200, Fixtures sh7,000, Motor Vehicles sh8,400, Stock of goods sh9,900, Debtors sh6,500, Cash at bank sh12,900 and Cash in hand sh240.

During the first week of July 2002:

- a. He bought extra stock of goods sh1,540 on credit.
- b. One of the debtors paid him sh560 in cash.
- c. He bought extra fixture by cheque sh2,000.

Draw up a balance sheet as on 7 July 2002 after the above transactions have been completed

QUESTION FOUR (20 MARKS)

- a. Define the following terms;
 - i. Credit note
 - ii. Debtors note
 - iii. Sales invoice
 - iv. Financial accounting
 - v. Trial balance
- b. Discuss five errors affecting the trial balance