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**PAN AFRICA CHRISTIAN UNIVERSITY**

**BACHELORS OF BUSINESS LEADERSHIP/COMMERCE/BBIT**

**DIPLOMA IN LEADERSHIP AND MANAGEMENT/SUPPLIES MANAGEMENT**

**END OF TERM EXAMINATION**

**DEPARTMENT: BUSINESS**

**COURSE CODE: BUS2143|BIT103|BCM103**

**COURSE TITLE: FINANCIAL ACCOUNTING I**

**ROYSAMBU CAMPUS - DAY**

**EXAM DATE: SATURDAY 6th AUGUST, 2016**

**TIME: 9.00AM – 12.00PM**

**INSTRUCTIONS**

* This examination script consists of **six** **(6)** questions.
* Answer question ONE and ANY other four Questions.
* Read all questions carefully before attempting.
* Write your **student number** on the answer booklet provided.

**QUESTION ONE**

1. Discuss four users of financial accounting information (8 marks)
2. Discuss two accounting concepts/ principles (4 marks)
3. Describe the double entry concept (3 marks)
4. The following balances were obtained from the books of LUCY Enterprises, as at 31 October 2015.

Ksh ‘000’ Ksh ‘000’

Capital 49 675

Drawings 18 600

Bank overdraft 4420

Cash in hand 112

Debtors and creditors 38 100 26 300

Stock 1st November 2014 72 410

Van 24 070

Provision for depreciation 3000

Office equipment 35 890

Provision for depreciation 5000 Purchases and sales 234 000 390 000

Returns 2110 1240

Carriage inwards 760

Carriage outwards 2850

Discounts 810 200

Motor expenses 1490

Rent 8200

Telephone charges 680

Provision for doubtful debts 1400

Wages and salaries 39 600

Insurance 745

Office expenses 392

Sundry expenses 216

481 035 481 035

The following additional information is also available:

1. Stock as at 31 October 2015 was valued at Ksh 89 404 000.
2. The provision for bad debts is to be adjusted to 5% of debtors.
3. Van is to be depreciated at 15% per annum using the reducing balance method and office equipment is depreciated at 10% per annum on their original cost.
4. Prepaid telephone charges were 16 000, while outstanding office expenses had been paid in advance by 32 000.

Required:

1. Prepare a Trading, Profit/ Loss Account for the year ended 31 October 2015. (12 Marks)
2. Prepare a balance sheet as at 31 October 2015. (8 Marks)

**QUESTION TWO**

1. Explain the difference between the following:
2. A ledger and a journal (2 Marks)
3. A cashbook and a trial balance (2 Marks)
4. A balance carried down and balance brought down (2 Marks)
5. The following transactions were obtained from the books of MARINA for the month of November 2010. The business deals with buying and selling of goods. *NB. The figures are in thousands Kenya shillings.*

On 1st started the business with Ksh 8 000 in bank, and Ksh 3 500 in cash.

On 3rd obtained 7 000 cash from the business bank account for business use.

On 4th bought goods on credit Ksh 1 700.

On 7th bought a computer paying by cheque Ksh 6250

On 17th bought goods for Ksh 120 cash.

On 23rd the business returned goods worth Ksh 83.

On 26th paid wages for Ksh 110 cash.

On 31st paid Ksh 700 by cheque to the people owed by the business, after deducting Ksh 100 discount.

Required:

A three – Column cash book (9 Marks)

**QUESTION THREE**

The following transactions were obtained from the books of EMMAH for the month of June 2012. The business deals with buying and selling of goods. *NB. The figures are in thousands Kenya shillings.*

On 1st started the business with Ksh 5 400 in bank, and Ksh 10 000 in cash.

On 9th banked Ksh 7 000 cash.On 12th bought goods on credit Ksh 410.

On 15th bought a van paying by cheque Ksh 4920

On 18th bought goods for Ksh 362 cash.

On 24th sold goods for cash Ksh 54.On 29th the business returned goods worth Ksh 42.

On 30th paid Ksh 368 by cheque to the people owed by the business, after deducting Ksh 68 discount.

Required:

1. Ledger Accounts (12 marks)
2. A Trial Balance (3 marks)

**QUESTION FOUR**

The following errors were made while recording in the books of original entries.

1. Cash sales of Ksh 800 was recorded as Ksh 8000 right from the beginning.
2. Purchases account was opened to record a purchase of motor vehicle worth Ksh 700 000.
3. Drawings from the bank worth Ksh 789 was recorded as Ksh798.
4. Credit sales to John K. and John L. of Ksh 400 and Ksh 600 respectively, were recorded as Ksh 600 and Ksh 400 respectively.
5. Wages of Ksh 1000 were not recorded at all in the books of original entry

Required:

1. Identify the type of error in each case (5 marks)
2. Explain how each is corrected. (10 marks)

**QUESTION FIVE**

Distinguish between the following Accounting terms/elements

1. Bad debts and provision for bad debts (3 Marks)
2. Opening stock and closing stock (3 Marks)
3. Carriage inwards and carriage outwards (3 Marks)
4. Bank balance and bank overdraft (3 Marks)
5. Debtors and creditors (3 Marks)

**QUESTION SIX**

1. Explain four possible causes of the discrepancies between the cash book and the bank statement (4 Marks)
2. On March 31, 2014 the bank column of the cash book of Agrawal Traders showed a credit balance of Ksh. 1,18,100 and a credit balance of 63 200 on the bank statement. On examining of the cash book and the bank statement, it was found that:

Ksh

1. Cheques were received and recorded in the cash book

but were not sent to the bank for collection 12,400

1. Payment were received from a customer directly by the

bank but no entry was made in the cash book. 27,300

1. Cheques issued were not presented for payment 1,75,200
2. Interest charged by the bank was not entered in the 8,800

cash book.

Required:

1. An adjusted cashbook (7 marks)
2. A bank reconciliation statement (4 marks)