

**PAN AFRICA CHRISTIAN UNIVERSITY**

**BACHELORS OF COMMERCE/BUSINESS LEADERSHIP**

**END OF TERM EXAMINATION**

**DEPARTMENT: BUSINESS**

**COURSE CODE:BCM 103 / BIT 103/BUS2143/DLM105/DSM100**

**COURSE TITLE: FINANCIAL ACCOUNTING 1**

**EXAM DATE: FRIDAY 1ST APRIL 2016**

**TIME: 9.00AM-12.00PM**

**INSTRUCTIONS**

* Read all questions carefully before attempting.
* Answer any **Five** Questions.
* Write your **student number** on the answer booklet provided.

**QUESTION ONE**

1. Explain the meaning of the following giving clear examples
2. Error of principle (2 Marks)
3. Error of complete reversal of entries (2 Marks)
4. Compensating errors (2 Marks)
5. Error of omission (2 Marks)

b) A trial balance extracted from the books of Clinton had the following totals
Debt Column totals sh 938,400
Credit Column totals sh 932,300
Clinton opened a suspense account and entered this difference in this account. He discovered
the following errors and omissions.
i) Rent income received sh. 2,200 had been credited to premise account.
ii) Sales account had been overstated by sh 9,400
iii) Discount allowed sh. 2,350 were credited to discount received account
iv) A cheque of sh. 8,000 received from Isaac a debtor had been correctly entered in the cashbook but it was debited in his account.
v) Purchase account had been overstated by sh 7,500.

**Required**
a) Prepare the journal entries necessary to correct this error (6 Marks)

b) Post the entries to the respective ledger accounts and balance off the suspense account (6 Marks)

**QUESTION TWO**

1. Highlight the advantages of a petty cashbook (5 Marks)
2. Isaac maintains a petty cash book on the imprest system, the imprest being sh. 30,000. The
following transactions took place in April 2014.
April
1 Received imprest from the cashier of sh. 30,000
3 Bought postage stamps of sh. 2,000
6 Paid sh. 4,000 for Peters account in purchases ledger
7 Bought stationery sh. 5,000
8 Paid traveling allowance to S. Otieno an employee sh 4,000
10 Paid window cleaning expenses sh 6,000
12 Paid Lenana’s account in the purchases ledger sh. 5,000
14 Paid subscription for trade association sh 2,000
17 Paid Office cleaning expenses shs. 2,000
18 Received sh. 30,000 from the cashier
20 Paid S. Otieno for traveling expenses sh. 10,000
22 Bought electric light bulbs sh. 2,000
25 Paid Lenana’s account in the purchases ledger sh 2,500
28 Paid traveling expenses sh 1,000
30 Paid for sugar, tea and milk sh. 3,000

**Required**

1. Enter the transactions into the petty cashbook under the analysis columns:- postage and
stationery, traveling expenses, cleaning expenses and a ledger column. (12 Marks)
2. Balance the cash book showing the reimbursement required to restore the imprest on 1 May 2014 (3 Marks)

**QUESTION THREE**

Mr Josphat Muigai started his business on 1st January 2013. Given the following transactions that took place in the month of January 2013

1st Started his firm with capital in cash of Sh. 250,000
2nd Bought goods on credit from the following persons. D Kamau Sh. 54,000, C Maina
Sh.87,000, G Kuria Sh.25,000 D Bosire Sh.76,000 and L Mwangi Sh.64,000
4th Sold goods on credit to C Malli Sh.43,000, B Munro Sh.62,000, H Thuku Sh. 176,000
6th Paid rent cash Sh. 12,000
9th Malli paid by cheque Sh. 43,000
10th H Thuku paid by cheque Sh.150,000
12th Paid by cheque to G Kuria Sh. 25,000, D Kamau Sh.54,000
15th Paid carriage cash Sh.53,000
18th Bought goods on credit from C.Maina Sh 43,000 and D Bosire Sh. 110,000
21st Sold on credit to B Munro Sh. 67,000
31st Paid rent by cheque Sh.18,000

**Required**

1. Enter the above transactions in a journal (6 Marks)
2. Prepare the necessary accounts balance them off (12 Marks)
3. Extract a trial balance (2 Marks)

**QUESTION FOUR**

1. Write brief notes on the following terms giving an example in each case.
2. Going concern concept (4 Marks)
3. Accrual Concept (4 Marks)
4. Historical concept (4 Marks)
5. Discuss the four users of accounting information (8 Marks)

**QUESTION FIVE**

The following trial balance was extracted from the books of Terano East Africa Enterprises as at 30th June 2013.

Particulars Dr (Sh) Cr (Sh)
Capital - 250,000
Opening stock 25,000 -
Plant and machinery at cost 250,000
Motor vehicle at cost 80,000

Provisions for depreciation:
- Plant & machinery 20,000
- Motor vehicles 16,000
Purchases 360,000
Sales 600,000
Wages and salaries 60,000
Returns 40,000 20,000
Discounts 5,000 4,000
Carriage inwards 2,500
Carriage outwards 3,000
Postage and telephone 7,500
Water and electricity 8,600
Bad debts written off 1,500
Provisions for bad debts 1,000
General expenses 8,500
Rent and rates 15,000
Debtors 55,000
Creditors 46,600
Cash at hand 6,000
Cash at bank 30,000 \_\_\_\_\_\_\_
 **957,600**
 **957,600**
 ======

Additional information:

(i) Closing stock was valued at Sh.22,500.
(ii) Depreciation to be charged at 30% and 10% on cost on motor vehicle and plant and machinery respectively.
(iii) Rent accrued Sh.3,000.
(iv) Pre-paid rates Sh.1,000.
(v) Outstanding electricity bill Sh.600.
(vi) Provisions for bad debts to be adjusted to Sh.1,300.

**Required:**
(i) Trading and profit and loss account for the year ended 30th June 2013. (12 marks)
(ii) Balance sheet as at that date. (8 Marks)

**QUESTION SIX**

The following are information obtained from springs’s books for the month of March 2015.

1st March Balances brought forward: Cash shs 23,000; Bank shs 475,600.

2nd March The following paid their accounts by cheque, in each case deducting 5 percent

 discounts: R Burton shs 14,0000; E Taylor shs 22,000; R Harris shs 80,0000.

4th March Paid rent by cheque shs 12,000.

 6th March J. Cotton lent us shs 100,000 paying by cheque.

 8th March We paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: N Black shs 36,000; P Towers shs 48,000; C Rowse shs 30,000.

10th March Paid motor expenses in cash 4,400.

12th March H Hankins pays his account of 7,700, by cheque shs7,400, deducting shs 300 cash discount.

15th March Paid wages in cash 16,000.

18th March The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston 26,000; R Wilson & Son shs 34,000; H Winter shs 46,000.

21st March Cash withdrawn from the bank shs 35,000 for business use.

24th March Cash Drawings shs 12,000.

25th March Paid T Briers his account of shs 14,000, by cash after having deducted shs 700 cash discount.

29th March Bought fixtures paying by cheque shs 65,000.

“ 31st March Received commission by cheque 8,800

**Required**

Prepare a three column cash book indicating clearly the discounts account (20 Marks).