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**PAN AFRICA CHRISTIAN UNIVERSITY**

 **BACHELOR OF COMMERCE**

**END OF TERM EXAMINATION**

**DEPARTMENT: BUSINESS**

**COURSE CODE: BCM 103/BIT 103/BUS 2143 (ROYSAMBU EVENING)**

**COURSE TITLE: FINANCIAL ACCOUNTING 1**

**EXAM DATE: 6th DECEMBER 2017**

**TIME: 5.30pm-8.30pm**

**INSTRUCTIONS**

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

**QUESTION ONE**

1. Define Financial Accounting (2 Marks)
2. Discuss three functions of Financial Accounting. (6 Marks)
3. Explain the meaning of the following accounting errors giving examples in each case.
4. Error of commission (3 Marks)
5. Error of Omission (3 Marks)
6. Error of principle (3 Marks)
7. Compensating error (3 Marks)
8. The following transactions were extracted from the books of Davis a sole trader during the month of July 2015.

 **July:**
1st Started business with sh. 50,000 in bank and sh. 10,000 cash.
2nd Bought stationery by cheque sh. 750
3rd Bought goods on credit from smart sh. 21,000
4th Sold goods for cash sh. 3,400
5th Paid insurance by cash sh. 2,900
7th Bought a computer on credit from Hott. Sh. 7,000
8th Paid expenses by cheque sh. 320
10th Sold goods on credit to Biggins sh. 6,300
11th Returned goods to Smart sh. 5,500
14th  Paid wages by cash. Sh. 2,100
17th Paid rent by cheque sh. 2,250
20th Received a cheque sh. 4,000 from Biggins
21st Paid Hott by cheque 7,000
23rd Bought stationary on credit from News Ltd 1,250
31st Sold goods on credit to F Tank sh. 6,405.

**Required**

1. Prepare ledger accounts from the following transactions (15 Marks)
2. Extract a trial balance from the ledger balances (5 Marks)

**QUESTION TWO**

1. Highlight the advantages of a petty cashbook (3 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
1st Received imprest from the cashier of sh. 30,000
3rd Bought postage stamps of sh. 2,000
 4th Paid sh. 4,000 for Peters account in purchases ledger
7th Bought stationery sh. 5,000
8th Paid traveling allowance to S. Otieno an employee sh 4,000
10th Paid window cleaning expenses sh 6,000
12th Paid Lenana’s account in the purchases ledger sh. 5,000
14th Paid subscription for trade association sh 2,000
17th Paid Office cleaning expenses shs. 2,000
18th Received sh. 30,000 from the cashier
20th Paid S. Otieno for traveling expenses sh. 10,000
22nd Bought electric light bulbs sh. 2,000
25th Paid Lenana’s account in the purchases ledger sh 2,500
28th Paid traveling expenses sh 1,000
30th Paid for sugar, tea and milk sh. 3,000

**Required**

Prepare a petty cashbook from the above transactions and balance it off, showing the reimbursement required to restore the imprest on 1 May 2014 (12 Marks)

**QUESTION THREE**

Miss Adam’s Trial balance as at 31st December 2014 is as follows

 **DR CR**

Cash in hand 295,000 -

Debtors 12,300,000 -

Purchases 92,100,000 -

Return inwards & Return outwards 550,000 307,000

Carriage inwards 215,000 -

Creditors - 9,370,000

Stock 31/12/13 23,910,000 -

Motor van 4,100,000 -

Office equipment 6,250,000 -

Carriage outwards 309,000

Sales - 130,900,000

Capital - 22,535,000

Cash at bank 3,115,000 -

Motor expenses 1,630,000 -

Insurance 492,000 -

Office expenses 1,377,000 -

Sundry expenses 284,000 -

Rent expenses 2,970,000 -

Telephone charges 405,000 -

Salaries and wages 12,810,000

 **163,112,000 163,112,000**

Stock as at 31st December 2014 was valued at Shs. 27,475,000.

**Required**

1. Prepare a trading, profit and loss account for the year ended 31st December 2014.

( 10 Marks )

1. Balance sheet as at that date. (5 Marks)

**QUESTION FOUR**

1. Highlight three functions of a cashbook. (3 Marks)
2. The following are information obtained from M .Suppliers 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 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 columns. (12 Marks)

**QUESTION FIVE**

The following trial balance was extracted from the books of Cheka Business, a sole trader in Mombasa.
 **Trial balance**

 **As at 31st December 2016**

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **DR** | **CR** |
| Sales  | -- | 427,726 |
| Purchases  | 302,419 | - |
| Carriage inwards | 476 | - |
| Carriage outwards | - | 829 |
| Wages and salaries | 64,210 | - |
| Rates and rent | 12,466 | - |
| Heat and lighting | 4,757 | - |
| Stock at 1st Jan 2015 | 15,310 | - |
| Drawings  | 21,600 | - |
| Equipment at cost | 103,000 | - |
| Motor van at cost  | 43,270 | - |
| Provision for depreciation: Equipment  | - | 22,250 |
| Provision for depreciation: Motor van | - | 5,920 |
| Debtors and creditors | 50,633 | 41,792 |
| Bank  | 3,295 | - |
| Sundry expenses | 8,426 | - |
| Cash  | 477 |  |
| Capital  | - | 122,890 |
|  | **626,873** | **626,873** |

The following information was also provided:

1. KSh.350 is accrued for heat & light.
2. KSh.620 has been prepaid for rent and rates.
3. Depreciation is to be provided for the year as follows.

Equipment - 10% on cost

Motor vehicle - 20% on cost

1. Closing stock was valued KSh.16,480.

**Required**

1. Prepare the Income Statement for the year ended 31st December 2013. (9 Marks)
2. Prepare a Balance Sheet as at 31st December 2013. (6 Marks)

**QUESTION SIX**

The trial balance of Upima Traders prepared as at 31st March, 2010 failed to agree and the differences which was 282,000 were placed on the credit side of the suspense account.

The following errors were subsequently discovered:

1. Furniture bought for sh. 30,000 was entered in the purchases account.
2. Sales were under cast by sh. 18,000
3. Goods returned by a customer worth sh. 3,000 had not been posted to the account of the debtor
4. Cash drawings of sh. 5,000 were omitted from the books.
5. Goods bought on credit for sh. 12,000 were entered in the account of a creditor as sh.21, 000.
6. A personal motor vehicle worth sh. 270,000 was converted to business use during the year but was only recorded in the motor vehicles account.

**Prepare:**

1. Journal entries to correct the above errors (10 Marks)
2. Suspense account duly balanced (5 Marks)