PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: BIT103|BUS2143|BCM103

COURSE TITLE: FINANCIAL ACCOUNTING I

EXAM DATE: WEDNESDAY

TIME: 8.00AM – 11.00AM

INSTRUCTIONS

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

QUESTION ONE

Explain the purpose of each of the following items in financial accounting:

a) Purchases invoice (2 Marks)
b) Purchases ledger book (2 Marks)
c) Suspense account (2 Marks)
d) Trial balance (2 Marks)
e) An income statement (2 Marks)

QUESTION TWO

The following transactions were made by KIT Traders in the month of April 2022:

1 Started business Sh30,000 in the bank
1 Purchased goods on credit for Sh14,000
4 Sold goods for Sh6,800 to Peter on credit
10 Paid creditors by cheque Sh11,600
18 Received a cheque of Sh7000 for goods sold on 4^{th}.
22 Paid insurance Sh2,000 cash
28 Purchased a machinery on credit Sh14,500.
31 Drew 1,500 money from the Bank and paid business rent Sh880 and the remainder bought some home utensils

Required:

Make the correct entries in the general journal (10marks)

QUESTION THREE

Errors were made while recording the following transactions in the journal in the month of November 2021

08 Paid sh212,360 by cheque to a credit supplier and credited it as 221,360
19 Bought goods on credit from Cate sh97 000, and credited James's account instead
27 Paid wages sh 28,000 cash and forgot to record it
30 Acquired a factory plant sh 500 000 on credit and debited it in the purchases account

Required:

a) Identify the type of error in each case (4 marks)
b) Prepare journal entries to correct each error (6 marks)

QUESTION FOUR

a) Explain any two qualities of good financial information (2 Marks)
b) As at 1^{st} April 2022, the cash book of Dan Traders showed a cash debit balance of Sh7,000 and a bank debit balance of Sh9,000. During the month, the business engaged in the following transactions:

1 Bought goods on credit from Ben Sh4,300.
5 Deposited cash into bank, Sh1,700.

8	Paid Martin by cheque Sh900 after discount of Sh110.
21	Sold goods on credit to Mary Sh1,500.
24	Bought a piece of furniture on credit from ABC Co. Sh5,000
26	Made cash sales of Sh3,000
28	Paid wages and salaries to employees by cheque, Sh4,500
30	Received from Jane a cheque amounting to Sh3,800 after discount of Sh70.
31	Withdrew cash from cash tilly Sh300 to shave his hair

Required:

Prepare a three - column cashbook (10 Marks)

QUESTION FIVE

Describe how the following items are reported in both the income statement and the statement of financial position.

a) Loan interest (2 Marks)
b) Prepaid wages (3 Marks)
c) Rent received (3 Marks)
d) Provision for bad and doubtful debts (2 Marks)

QUESTION SIX

The following Trial balances were extracted from the books of DIA Traders as at 31st December 2022.

	Sh	Sh
Sales		1786 000
Sundry debtors	540 000	
Sundry creditors		75 000
Wages & Salaries	304 000	
Carriage outwards	57,150	
Discount received		14 000
Motor car at cost	386 000	
Return inwards	22 000	
Furniture & fittings at cost	313 000	
Drawings	27 000	
Capital account		1 695 000
Purchases	1 515 000	
Stock 31.12.2021	350 000	
Cash at bank	69 000	

Additional information which requires adjustment:

i. Stock on 31st December 2022 was valued at sh 565 000
ii. A provision for doubtful debts of 3% on sundry debtors is to be created.
iii. Depreciate furniture & fittings 5% on cost and motor car 15% on cost
iv. Debtors include sh 35 000 bad debts
v. Salaries of sh10 000 were paid in advance
vi. Purchases include purchase of furniture worth sh 46 000

Required:

a) Draw an income statement for the year ended 31st December 2022 (7marks)
b) A statement of financial position as at 31st December 2022 (3marks)