PAN AFRICA CHRISTIAN UNIVERSITY

DIPLOMA IN LEADERSHIP

END OF TERM EXAMINATION

DEPARTMENT: LEADERSHIP

COURSE CODE: DLM 105

COURSE TITLE: FINANCIAL ACCOUNTING

EXAM DATE: 6TH DECEMBER 2017

TIME: 3 HOURS

INSTRUCTIONS

- Read all questions carefully before attempting.
- Answer **ALL** questions in SECTION Aany **TWO** questions in SECTION B
- Write your **student number** on the answer booklet provided.

SECTION A (COMPULSORY)

QUESTION ONE

a) 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

i. Prepare ledger accounts from the following transactions (7 Marks)

ii. Extract a trial balance from the ledger balances (3 Marks)

QUESTION TWO

a. Mention Two advantages of a petty cashbook (2 Marks)

b. 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 (8 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

a. Prepare a trading, profit and loss account for the year ended 31st December 2014. (6 Marks)

b. Prepare a Balance sheet as at that date. (4 Marks)

QUESTION FOUR

a) Discuss three functions of Financial Accounting. (6 Marks)

b) Explain the meaning of the following accounting errors

i. Error of commission (2 Marks)

ii. Error of Omission (2 Marks)

iii. Error of principle (2Marks)

SECTION B :Answer any **two** questions

QUESTION ONE

a) State two functions of acashbook. (2 Marks)

b) The following are information obtained from M. Suppliers books for the month of March 2015.

1st March	Balances brought forward: Cash shs23,000; Bank shs 475,600.
2nd March	The following paid their accounts by cheque, in each case deducting 5 percent discounts: R Burton shs14,0000; E Taylor shs22,000; R Harris shs80,0000.
4th March	Paid rent by chequeshs12,000.
6th March	J. Cotton lent us shs100,000 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 shs36,000; P Towers shs48,000; C Rowseshs30,000.
10th March	Paid motor expenses in cash 4,400.
12th March	Hankins pays his account of 7,700, by cheque shs7,400, deducting shs300 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 shs34,000; H Winter shs46,000.

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21st March	Cash withdrawn from the bank shs35,000 for business use.
24th March	Cash Drawings shs12,000.
25th March	Paid T Briers his account of shs14,000, by cash after having deducted shs700 cash discount.
29th March	Bought fixtures paying by chequeshs65,000.
31st March	Received commission by cheque8,800

Required

Prepare a three column cash book indicating clearly the discounts columns. (10 Marks)

QUESTION TWO

a. Explain each of the following accounting concepts:

   i. Going concern (2 Marks)
   ii. Matching concept (2 Marks)
   iii. Double entry concept (2 Marks)

b. Explain the double entry of each of the following terms.
   i. Discount received from Kiwandaelectricals. .(2 Marks)
   ii. Goods returned by XYZ Ltd . (2 Marks)

QUESTION THREE

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

The following errors were subsequently discovered:

a) Furniture bought for sh. 30,000 was entered in the purchases account.
b) Sales were under cast by sh. 18,000
c) Goods returned by a customer worth sh. 3,000 had not been posted to the account of thedebtor
d) Cash drawings of sh. 5,000 were omitted from the books.
e) Goods bought on credit for sh. 12,000 were entered in the account of a creditor as sh.21, 000.
f) 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.

Required

i. Prepare journal entries to correct the above errors (7 Marks)
ii. Prepare a suspense account (3 Marks)

QUESTION FOUR

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:

a) KSh.350 is accrued for heat & light.
b) KSh.620 has been prepaid for rent and rates.
c) Depreciation is to be provided for the year as follows:
   Equipment - 10% on cost

   Motor vehicle - 20% on cost
d) Closing stock was valued KSh.16,480.

Required

i. Prepare the Income Statement for the year ended 31st December 2013. (6 Marks)

ii. Prepare a Balance Sheet as at 31st December 2013. (4 Marks)