PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

JANUARY-APRIL 2023

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: BCM103|BSIT105|BIT105|BUS2143|

COURSE TITLE: FINANCIAL ACCOUNTING I

EXAM DATE:

TIME:

INSTRUCTIONS

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

Question One (compulsory) : (10 marks)

A bookkeeper extracted a trial balance on 31 December 2021 that failed to agree by Sh.3,300 a shortage on the credit side of the trial balance. A suspense account was opened for the difference.

In January 2022 the following errors made in 2022 were found:

- Sales daybook had been under cast by Sh.1, 000.
- Sales of Sh.2, 500 to J Church had been debited in error to J Chane account.
- Rent account had been undercast by Sh.700.
- Discounts received account had been under cast by Sh.3, 000.
- The sale of a motor vehicle at book value had been credited in error to Sales account Sh.3, 600.

Required:

a) Show the journal entries necessary to correct the errors. (5 marks)
b) Draw up the suspense account after the errors described have been corrected. (3 marks)
c) If the net profit had previously been calculated atSh.79,000 for the year ended 31 December 2022, show the calculations of the corrected net profit (2marks)

Question Two (10 marks)

Philix a sole trader has prepared the following balance as at 31 March 2021.

	Sh.
Sales	378,500.00
Discount Received	2,400.00
Rent Received	7,500.00
Returns outwards	7,700.00
Creditors	18,700.00
Bank Overdraft	30,000.00
Capital	287,500.00
Purchases	261,700.00
Salaries and Wages	45,700.00

Office expenses	8,400.00
Insurance premiums	3,100.00
Electricity	1,600.00
Stationery	6,200.00
Advertising	8,400.00
Telephone	2,100.00
Business Rates	7,500.00
Discounts allowed	600.00
Returns Inwards	4,100.00
Stocks as at 1 April 2020	120,600.00
Warehouse, shop and office	210,000.00
Fixtures and fittings	12,800.00
Debtors	13,000.00
Cash in till	500.00
Drawings	26,000.00

The following further information was obtained:

- Closing stock was Sh.102,500.00
- Electricity charges accrued Sh.700.00
- Advertising expenses accrued Sh.500.00
- Insurance premiums paid in advance Sh.900.00
- Business rates prepaid Sh.1,500.00

Required:

a. Prepare an income statementfor the year ended 31 March 2021 (5 marks)

b. Prepare a statement of financial position as at 31 March 2021 (5 marks).

Question Three (10 marks)

Wako is a sole trader. At 30 June 2016 the following balances have been extracted from his books:

	Sh.
Sales	47,600.00
Purchases	22,850.00
Office expenses	1,900.00
Insurance	700.00
Wages	7,900.00
Rates	2,800.00
Heating and Lighting	1,200.00
Telephone	650.00

Discounts allowed	1,150.00
Opening stock	500.00
Returns inwards	200.00
Returns outwards	150.00
Premises	40,000.00
Plant and Machinery	5,000.00
Motor Vehicles	12,000.00
Debtors	12,500.00
Bank balance	7,800.00
Creditors	3,400.00
Loan-long term loan	10,000.00
Capital	60,000.00
Drawings for the year	4,000.00
Closing stock	550.00

Required

Construct a trial balance as at 30 June 2016 (10 marks)

Question Four (10 marks)

Explain the contents of the following books of prime entry:

i. Sales Journal
ii. Purchases Journal
iii. Returns Inwards Journal
iv. Returns Outward Journal
v. General Journal

Question Five (10 marks)

Makau, a sole trader received his bank statement for the month of June 2021. At that date the bank balance was Sh. 706,500 whereas his cash book balance was Sh.2, 366,500. His accountant investigated the matter and discovered the following discrepancies:

i. Bank charges of Sh.3, 000 had not been entered in the cashbook.
ii. Cheques drawn by Makau totaling Sh.22, 500 had not yet been presented to the bank.
iii. He had not entered receipts of Sh.26, 500 in his cashbook.
iv. The bank had not credited Mr Makau with receipts of Sh.98, 500 paid into the

bank on 30 June 2001.

v. Standing order payments amounting to Sh.62, 000 had not been entered into the cashbook.

vi. In the cashbook Makau had entered a payment of Sh.74, 900 as Sh.79, 400.

vii. A cheque for Sh.15, 000 from a debtor had been returned by the bank marked "refer to drawer" but had not been written back into the cashbook.

viii. Makau had brought forward the opening cash balance of Sh.329, 250 as a debit balance instead of a credit balance.

ix. An old cheque payment amounting to Sh.44, 000 had been written back in the cashbook but the bank had already honored it.

x. Some of Makau's customers had agreed to settle their debts by paying directly into his bank account. Unfortunately, the bank had credited some deposits amounting to Sh.832, 500 to another customer's account. However, acting on information from hiscustomers, Makau had actually entered the expected receipts from the debtors in his
cashbook.

Required:

i. A statement showing Makau's adjusted cashbook balance as at 30 June 2021. (5 marks)

ii.A bank reconciliation statement as at 30 June 2021. (5 marks)

Question Six **(10 marks)**

Using examples explain :

a. **Three** errors that do not affect the balancing of the trial balance (6 marks)
b. **Two** errors that affect the balancing of the trail balance (4 marks)