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:

i) Sales invoice	(2 Marks)
ii) Purchases ledger book	(2 Marks)
iii) Suspense account	(2 Marks)
iv) Trial balance	(2 Marks)
v) Statement of financial position	(2 Marks)

QUESTION TWO

The following transactions were made by PAT Enterprises in the month of Sept 2021:

1 Started business Sh5000 in the bank
4 Purchased goods on credit for Sh3500
13 Sold goods for Sh8,500 to Peter on credit
18 Paid creditors by cheque Sh1200
21 Paid rent Sh300 cash
28 Received a cheque of Sh7000 for goods sold on 13th.
29 Purchased a motor van on credit Sh1500.
31 Drew 1000 cash from the Bank. Then paid business rent Sh730 and the remainder bought a toy for his baby

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 October 2019

04 Received sh212,360 by cheque from Martin and debited it as 221,360
16 Sold goods on credit to John sh100 000, and debited Leah's account instead
23 Paid rent sh 50,000 cash and forgot to record it
25 Purchased a piece of land sh 900 000 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 accounting principles (2 Marks)
b) As at 1st Jan 2022, the cash book of Dan Traders showed a cash debit balance of Sh6,000 and a bank debit balance of Sh8,000. During the month, the business engaged in the following transactions:

1 Bought goods on credit from Ben Sh1500.
5 Deposited cash into bank, Sh3300.
8 Paid Martin by cheque Sh600 after discount of Sh80.

21 Sold goods on credit to Mary Sh4300.
24 Bought a machine on credit from T & co. Sh50,000
26 Made cash sales of Sh2600
28 Paid wages and salaries to employees by cheque, Sh1300
30 Received from Gibs a cheque amounting to Sh2100 after discount of Sh120.
31 Withdrew cash from cash tilly Sh700 to buy her own pair of shoes.

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) Bad debts (2 Marks)
b) Accruals (3 Marks)
c) Closing stock (3 Marks)
d) Provision for bad and doubtful debts (2 Marks)

QUESTION SIX

b) The following Trial balances were extracted from the books of MAKE Enterprises as at 30th October 2021.

	Sh	Sh
Sales		1786 000
Sundry debtors	540 000	
Sundry creditors		75 000
Wages & Salaries	304 000	
Carriage outwards	35 000	
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 1.11.2020		350 000
Cash at bank	69 000	

Additional information which requires adjustment:

i. Stock on 30th October 2021 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 30th October 2021 (7marks)

b) A statement of financial position as at 30th October 2021 (3marks)