PAN AFRICA CHRISTIAN UNIVERSITY

BACHELOR OF COMMERCE

END OF SEMESTER EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: BCM 103/BIT 103

COURSE TITLE: FINANCIAL ACCOUNTING 1

EXAM DATE:

TIME:

INSTRUCTIONS

- Read all questions carefully before attempting.
- Answer QUESTIONS **ONE (COMPULSORY) AND ANY OTHER THREE QUESTIONS.**
- Write your **student number** on the answer booklet provided.

SECTION A: COMPULSORY

……………………………………………………………………………………………………

QUESTION ONE

Mrs Zawadi commenced trading as wholesaler of stationery goods on 1 May 2018.

During May the following transactions took place.

May 1	Started business with shs 5,000,000 in the bank
May 3	Bought shop fittings and fixtures from store fitments Ltd for Shs. 2,000,000
May 5	Purchased goods on credit from Abel Shs. 650,000
May 7	Sold goods on credit to Bruce Shs. 700,000
May 9	Purchased goods on credit from Green Shs.300,000
May 11	Sold goods on credit to Hill Shs,580,000
May 13	Sales paid into bank account Shs.200,000
May 16	Received cheque from Bruce in settlement of his account
May 17	Purchased goods on credit from Kay Sh.800,000
May 18	Sold goods on credit to Nailor Sh.360,000

Required

a) Record the transactions above in Mrs Zawadi's Journal (5 Marks)

b) Post the entries in the ledger accounts and balance them off. (5 Marks)

SECTION B: ANSWER ANY THREE QUESTIONS

QUESTION TWO

a) Explain two objectives of financial accounting (4 Marks)
b) Discuss three users of accounting information (6 Marks)

QUESTION THREE

The following transactions were extracted from the books of Hawa traders for the month of October 2018.

October 1st Balances brought forward

Cash in hand Shs.392,500

Cash at bank Shs. 635,000

Capital Shs 1,027,500

October 3rd Bought goods and paid by cash Shs. 102,500

October 4th Purchased goods on credit from Kamata traders Shs 145,000 less 10% trade discount.

October 7th Sold goods on credit to Muthee for Shs 222,500 less 20% trade discount.

October 9th Withdrew Shs 12,500 cash for personal use.

October 12th Sold goods to Kasina for Shs. 160,000 and received a cheque.

October 15th Paid Shs. 125,000 to Kamata traders in full settlement of debt.

October 18th Muthee return goods worth Shs. 10,000

October 20th Received cash amounting to Shs.10,000 from Mutheee.

October 21st Purchased goods on credit from Hallo traders for Shs 217,500

October 23rd Issued a cheque for Shs. 150,000 to Hallo traders and received a discount of Shs. 7,500.

October 24th Purchased furniture for Shs 20,000 from Urembo Furniture Ltd on crdit.

October 25th Deposited Shs. 55,000 from the cash in hand to the bank account.

October 28th Goods worth Shs. 15,000 were returned to Hallo traders.

Required

Prepare Hawa traders three column cash book for the month of October 2018 (10 Marks)

QUESTION FOUR

The trial balance was extracted from the books of Jewel traders showed a total debit balance of Shs.5,630,400 while the credit side amounted to Shs. 5,593,800

The accountant later discovered the following errors.

1. A cheque of Shs, 36,200 received from a debtor was recorded originally as Shs. 20,000
2. Discount allowed worth Shs. 14,100 were credited to the discount received account.
3. Rent received of Shs, 13,200 was credited to Premises account.
4. The sales account was under cast by Shs. 56,400
5. An invoice of Shs. 13,800 received from a supplier had not been recorded in any book
6. Goods returned to the business had been recorded correctly in the return inwards account but not recorded in the debtors account

Required

a) Journal entries to correct the above transactions (Narrations are required) (6 Marks)
b) Prepare a Suspense account (4 Marks)

QUESTION FIVE

a. Explain each of the following accounting concepts:

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

b. Explain the double entry of each of the following terms.

    i. Goods returned from your business to Viwanda elecricals. .(2 Marks)
    ii. Goods returned by XYZ Ltd to your business .(2 Marks)

QUESTION SIX

Musa carries a business dealing with sale of construction materials. His trial balance for the year ended 31st December 2019.

	DR	CR
Motor vehicles	3,000,000	
Fixtures	2,000,000	
Inventory on 1st January 2019	1,000,000	
Purchases and Sales	7,000,000	15,000,000
Rent	1,000,000	
Salaries and wages	1,000,000	
Electricity	500,000	
Telephone	400,000	
Motor vehicle expenses	500,000	
Discount allowed and Discount received	600,000	500,000
Return inwards and Return outwards	1,000,000	500,000
Debtors and Creditors	4,000,000	3,000,000
Cash in hand	2,000,000	
Bad debts	500,000	
Provisions for bad& doubtful debts		500,000
Drawings	1,000,000	
Capital		6,000,000
	25,500,000	**25,500,000**

Additional information

1. Rent and Electricity accrued at the end of the year amount to Shs. 200,000 and 50,000 respectively.

2. Salaries and wages prepaid amount to Shs. 100,000, Prepaid telephone bills is Shs. 100,000
3. Inventory as at 31st December 2019 amount to Shs. 3,000,000
4. Provision for bad and doubtful debts is to be set at 10% of debtors.
5. Depreciation is provided on Motor vehicles and fixtures at 10% and 20% respectively on cost.

Required

Prepare an Income Statement for the year ended 31st December 2019 (10 Marks)