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

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QUESTION ONE

Mr. James commenced trading as a wholesaler stationer on 1 May 2018 with a capital of Shs.5,000,000 with which he opened a bank account for his business.

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 James '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

a) Mark Swaleh retire from employment on 30th April 2015 and was paid retirement benefits amounting to Shs. 216,000. With this money Mr. Swaleh started a business in Nairobi on 1st June 2019

His transactions for the month were as follows:

June 1st	Started business with shs 216,000 in cash.
June 4th	Paid by cheque six months' rent in advance Shs 72,000
June 8th	Bought furniture by cheque Shs. 24,000
June 15th	Purchased goods for sales Shs. 19,500 by cheque
June 18th	Withdrew Shs. 3,500 from the bank for office use.
June 21st	Deposited into bank Shs. 42,300
June 22th	Purchased goods on credit from Baraka worth Shs,30,000
June 23rd	Sold goods for Shs. 36,000 receiving payment by cheque
June 25th	Sold goods on credit to Kings for Shs 14,300.
June 26th	Paid wages in cash Shs.7,400

Required

Prepare a three column cash book to record the transactions in the month of June 2019.

(10 Marks)

QUESTION FOUR

A trial balance extracted from the books of Clinton had the following totals

Debt Column totals sh 938,400
Credit Column totals sh 932,300

Clinton opened a suspense account and entered this difference in this account. He discovered the following errors and omissions.
i) Rent income received sh. 2,200 had been credited to premise account.

ii) Sales account had been overstated by sh 9,400
iii) Discount allowed sh. 2,350 were credited to discount received account
iv) A cheque of sh. 8,000 received from Isaac a debtor had been correctly entered in the cashbook but it was debited in his account.
v) Purchase account had been overstated by sh 7,500.

Required

Prepare the journal entries necessary to correct this error (10 Marks)

QUESTION FIVE

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

QUESTION SIX

Mrs Pembe runs a whole sale business in Nairobi. Her trial balance for the year ended 31st December 2019 is as follows:

	SHS	**SHS**
Land and buildings	8,000,000	
Motor vehicle	6,000,000	
Inventory 1st Jan 2019	3,000,000	
Purchases and Sales	28,000,000	52,700,000
Return inwards and Return outwards	2,000,000	1,000,000
Discount allowed and Discount received	1,500,000	2,800,000
Rent	200,000	
Fixtures and fittings	4,000,000	

Debtors and Creditors	5,000,000	4,000,000
Provisions for doubtful debts		300,000
Bad debts	2,000,000	
Carriage inwards	200,000	
Carriage outwards	300,000	
Salaries and wages	4,000,000	
Drawings	2,000,000	
Capital		9,000,000
	69,800,000	**69,800,000**

Additional information

1. Closing inventory on 31st December 2019 amount to Shs. 2,000,000
2. Provision for bad and doubtful debts is to be increased by 5% of debtors.
3. Rent accrued at the end of the year amounted to shs. 150,000
4. Salaries and wages paid in advance amount to shs. 160,000

Required

Draw Mrs Pembe's Income Statement for the year ended 31st December 2019. (10 Marks)

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