PAN AFRICA CHRISTIAN UNIVERSITY

BACHELOR OF COMMERCE / BACHELOR OF BUSINESS LEADERSHIP

END TERM EXAMINATION – ONLINE

DEPARTMENT: BUSINESS

COURSE CODE: BUS 2143 / BCM 103

COURSE TITLE: FINANCIAL ACCOUNTING 1

Time: 2 HOURS

Instructions

•***Read all questions carefully before attempting.***

•***Question ONE is COMPULSORY.***

•***Answer ANY THREE questions out of the remaining FIVE***

•***Ensure you have a working calculator.***

QUESTION ONE (COMPULSORY)

a) Differentiate accounting from bookkeeping **(2 marks)**

b) Classify the following items into liabilities and assets: **(2 marks)**

A. Computers
B. Buildings
C. Accounts payable for inventory
D. Inventory
E. Accounts receivable
F. Cash in bank
G. Bank overdraft
H. Loan to D. Pratt
I. Vans

c) Complete the gaps in the following table: **(2 marks)**

	Assets	**Liabilities**	**Capital**
a)	**KES** 110,000	**KES** 33,800	**KES** ?
b)	?	8,600	17,200
c)	72,200	?	57,000
d)	59,750	9,700	?

d) Complete the columns to show the effects of the following transactions (State whether there is an Increase, decrease or no effect): **(4 marks)**

		Effect upon		
		Assets	***Liabilities***	***Capital***
a)	Bought a van on time KES 8,700.			
b)	Repaid by cash a loan owed to F. Duff KES 10,000.			
c)	Bought goods for KES 1,400 paying by cheque.			
d)	The owner takes out KES 200 cash for his personal use			

QUESTION TWO

a) Complete the following table; **(5 marks)**

		Account to be debited	*Account to be credited*
a)	Bought laptop on time from Timeless Ltd.		
b)	The proprietor paid a creditor, B. Burt, from his private funds		
c)	A debtor, T. Robb, paid us by cheque.		
d)	Repaid part of loan from 1. Simms in cash.		
e)	Returned the computer to Timeless Ltd.		

b) Complete the following table; **(5 marks)**

		Account to be debited	*Account to be credited*
a)	Goods sold for cash.		
b)	Goods purchased by us returned to supplier, M. Peel.		
c)	Vehicles bought on time from F. Smith.		
d)	Goods we returned to W. Brown.		
e)	Goods sold returned to us by customer, I. Gray.		

QUESTION THREE

a) Discuss two reasons why it is important to inspect the accounts receivable in the accounting books as often as once a month. **(4 marks)**

b) Prepare the double entries (not the T-accounts) for the following transactions using the format: **(6 marks)**

Date		**Dr**	**Cr**
	Account name	**KES** XX	
	Account name		**KES** XX

July 1 Started in business with KES 5,000 in the bank and KES 1,000 cash.

2 Bought stationery by cheque KES 75.

3 Bought goods on time from T. Smart KES 2,100.

4 Sold goods for cash KES 340.

5 Paid insurance by cash KES 290.

7 Bought a computer on time from J. Hott KES 700.

8 Paid expenses by cheque KES 32.

10 Sold goods on time to C. Biggins KES 630.

11 Returned goods to T. Smart KES 550.

14 Paid wages by cash KES 210.

17 Paid rent by cheque KES 225.

20 Received cheque KES 400 from C. Biggins.

QUESTION FOUR

a) Gross profit is: **(1 mark)**

(A) Excess of sales over cost of goods sold

(B) Sales less purchases

(C) Cost of goods sold + opening inventory

(D) Net profit less expenses of the period

b) State two advantages of preparing a trial balance **(2 marks)**

c) Calculate the balance on the following account on 31 May 2017 **(2 marks)**

C. De Freitas

2017			£	2017			£
May	1	Sales	205	May	17	Cash	300
	14	Sales	360		28	Returns	50
	30	Sales	180				

(A) A credit balance of £395

(B) A debit balance of £380

(C) A debit balance of £395

(D) There is a nil balance on the account

d) Given figures showing: Sales KES 8,200, Opening inventory KES 1,300, Closing inventory KES 900, Purchases KES 6,400, Carriage inwards KES 200, the cost of goods sold figure is: **(2 marks)**

(A) KES 6,800

(B) KES 6,200

(C) KES 7,000

(D) Another figure

e) State which of the following items are debited and which are credited if they increase.

(3 marks)

A. Expenses
B. Revenue
C. Assets
D. Liabilities
E. Profits
F. Losses

QUESTION FIVE

a) Which of this best describes a statement of financial position? **(2 marks)**

(A) An account proving the books balance

(B) A record of closing entries

(C) A listing of balances

(D) A statement of assets

b) Carriage inwards is charged to the trading account because: **(2 marks)**

(A) It is an expense connected with buying goods

(B) It should not go in the statement of financial position

(C) It is not part of motor expenses

(D) Carriage outwards goes in the profit and loss account

c) Write up a two-column cash book for a second-hand bookshop from the following: **(6 marks)**

2017

Nov 1 Balance brought forward from last month: Cash KES 295; Bank KES 4,240.

2 Cash sales KES 310.

3 Took KES 200 out of the cash till and paid it into the bank.

4 F. Bell paid us by cheque KES 194.

5 We paid for postage stamps in cash KES 80.

6 Bought office equipment by cheque KES 310.

7 We paid L. Root by cheque KES 94.

9 Received business rates refund by cheque KES 115.

11 Withdrew KES 150 from the bank for business use.

12 Paid wages in cash KES 400.

13 Cash sales KES 430.

14 Paid motor expenses by cheque KES 81.

QUESTION SIX

a) From the following trial balance of I. Lamb, extracted after one year's trading, prepare a statement of profit or loss for the year ending 31 October 2016. **(5 marks)**

Trial balance as at 31 October 2016

	Dr	*Cr*
	£	£
Sales		100,250
Purchases	60,400	
Salaries	29,300	
Motor expenses	1,200	
Rent	950	
Insurance	150	
General expenses	85	
Premises	47,800	
Motor vehicles	8,600	
Accounts receivable	13,400	
Accounts payable		8,800
Cash at bank	8,200	
Cash in hand	300	
Drawings	4,200	
Capital		65,535
	174,585	174,585

Inventory at 31 December 2016 was £15,600.

b) Using your answer in (a) above, prepare a statement of financial position as at 31 October 2016 **(5 marks)**