PAN AFRICA CHRISTIAN UNIVERSITY

SCHOOL OF LEADERSHIP, BUSINESS AND TECHNOLOGY

END OF SEMESTER EXAMINATION FOR DIPLOMA IN LEADERSHIP AND MANAGEMENT

JANUARY-APRIL 2019 SEMESTER

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: DLM105

COURSE TITLE: FINANCIAL ACCOUNTING

EXAM DATE: FRIDAY 12TH APRIL 2019

DURATION: 3 hours

TIME: 9.00AM-12.00PM

INSTRUCTIONS

- Read the instructions and questions carefully before you write the answers.
- Write your **STUDENT NUMBER** in the Answer Booklet given
- *Write clearly and legibly.*
- Answer **Question ONE** and any other **FOUR** questions
- *ALL PAC University's examination rules and regulations apply*

QUESTION ONE: COMPULSORY

(a) Explain, with examples the following terms as used in Accounting.

(i)	Assets	(2 marks)
(ii)	Liabilities	(2 marks)
(iii)	Capital	(2 marks)
(iv)	Books of Original Entry	(2 marks)

(b) (i) Define Financial Accounting. (2 marks)

(ii) Explain the FOUR major concepts underlying the accounting reports. (4 marks)

(c) (i) Give FOUR causes for disagreement between the bank statement and the cash book balances. (4 marks)

(ii) Explain the TWO major financial accounting reports. (2 marks)

(d) Discuss FIVE errors that do not affect the balancing of the trial balance. (10 marks)

(e) (i) Explain the FIVE branches of accounting. (5 marks)

(ii) Discuss the FIVE major qualities of good accounting information. (5 marks)

QUESTION TWO

The following data were obtained from Mali Enterprise books of account in the Month of May 2017.

May 2	Credit sales to Eliud Kamau	Ksh	12,800
May 2	Credit purchases from Hubart Opati	Ksh	9,600
May 4	Credit sales to John Omondi	Ksh	11,700
May 7	Credit sales to Nicholas Kimanzi	Ksh	20,700
May 8	Credit sales to Pius Amino	Ksh	4,900
May 12	Credit purchases from Meshack Kibaki	Ksh	7,200

May 13	Credit sales to Eliud Kamau	Ksh	42,000
May 13	Credit purchases from Gerald Njenga	Ksh	9,700
May 15	Return inwards from Jirma Hadija	Ksh	200
May 16	Return outwards to Kelly Nyongesa	Ksh	1,200
May 20	Credit purchases from Hubart Opati	Ksh	11,200
May 21	Credit purchases from Elly Joe	Ksh	4,900
May 23	Credit purchases from Obed Mbiyu	Ksh	4,500
May 27	Bought Motor Vehicle cash	Ksh	20,000
May 30	Credit sales to Enock Williams	Ksh	10,600

Required:

(a) Sales Journal (3 marks)

(b) Purchases Journal (3 marks)

(c) Sales Lledger (3 marks)

(d) Purchases Ledger (3 marks)

(e) General Journal (3 marks)

QUESTION THREE

Mr Akili started a business on 1st January 2018. During the first Month of trading, the following transactions took place.

Jan. 1 Wrote a personal cheque and deposited it into the business bank account Ksh 800,000, withdrew Ksh 200,000 from the bank and put it into the cash till

Jan. 2 Purchased goods by cheque Ksh 70,000

Jan. 3 Bought furniture for cash Ksh 25,000

Jan 3	Bought equipment on credit Ksh 75,000
Jan 4	Sold goods for cash Ksh 100,000
Jan 5	Bought goods and paid by cheque Ksh 200,000
Jan 6	Bought a motor van paying by cheque Ksh 210,000
Jan 10	Obtain loan from bank Ksh 500,000
Jan 12	Sold goods on credit Ksh 75,000
Jan 16	Sold goods, payment made by cheque Ksh 100,000
Jan 16	Received a cheque from a debtor Ksh 60,000
Jan 30	Took Ksh 10,000 from the cash till for personal use.

Required:

Write up a two-column cash book for Mr. Akili for the Month of January 2018. (15 marks)

QUESTION FOUR

On 31st December 2017 the cash book of Mwenda Pole showed a balance at the bank of Ksh 8,100. The bank statement however showed a balance of Ksh 6,700. Going through the bank statement he found out that:

(i) A cheque received from Taifa Ltd on 1st December for Ksh 600 and entered into the cash book did not appear on the bank statement.

(ii) A cheque paid to Mr. Kamara Ksh 700 on 25th December had not been presented.

(iii) A cheque received from Mr. Njiru on 24th December Ksh 600 and entered into the cash book was returned dishonored. No entry in this regard was recorded in the cash book.

(iv) Bank charges amounting to Ksh100 had not been entered into the cash book.

(v) The bank received directly Ksh 1,000 from Safaricom as dividends on the 18th December on behalf of Mwenda Pole.

(vi) A cheque payment of Ksh 2,000 to Olovia had been entered in error Ksh 200 in the cash book.

Required:

(a) Make the necessary entries to update the cash book. (5 marks)

(b) Prepare a bank reconciliation statement for Mwenda Pole for the Month of December 2017. (10 marks)

QUESTION FIVE.

(a) Explain FOUR concepts underlying the accounting reports. (6 marks)

(b) Discuss SIX errors that do not affect the balancing of the Trial Balance. (9 marks)

QUESTION SIX.

The following Trial Balance was extracted from the books of Uwezo Ltd for the year ended 31 December 2018.

	Ksh	Ksh
Sales		205,500
Purchases	129,000	
Opening stock	16,000	
Rent	42,000	
Lighting expenses	8,000	
General expenses	17,000	
Fixture and fittings	4,800	
Debtors	148,000	
Creditors		37,000
Bank	14,300	
Cash	2,800	
Drawings	14,000	
Capital		128,000
Commissions		24,000
Returns inwards	4,000	
Returns outwards		6,000
	400,500	400,500

The closing stock as at 31 December 2018 was Ksh 9,000.

Required:

Draw up a statement of comprehensive income for Uwezo Ltd for the year ended 31 December 2018. (15 marks)