PAN AFRICA CHRISTIAN UNIVERSITY

DIPLOMA IN BUSINESS RELATED COURSES

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: BUS 2143

COURSE TITLE: FINANCIAL ACCOUNTING

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

a) Explain the difference between the following terms:
   i) Depreciation and a provision for depreciation (2marks)
   ii) Balancing –off accounts and Closing off of accounts (2marks)
   iii) A ledger account and a trial balance (2Marks)
b) With a relevant example in each case, explain any two errors that do not affect the trial balance (4 Marks)

QUESTION TWO

The following transactions were made by REX Enterprises in the month of March 2019:

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 10^{th}.
29	Purchased a motor van on credit Sh1500.
31	Drew 1000 cash from the Bank. Then bought office stationery Sh730 and the remainder bought a toy for his baby.

Required:

Prepare a two-column cashbook (10 Marks)

QUESTION THREE

a) Distinguish between the following Accounting elements:
   i. An accrued rent and a prepaid rent (2 Marks)
   ii. A cashbook and a journal (2 Marks)
   iii. A bank loan and a bank overdraft (2Marks)
b) Explain the going concern accounting concept (2Marks)
c) Describe the fundamental accounting equation (2 Marks)

QUESTION FOUR

a) Describe the double entry system (4 Marks)
b) Explain the difference between balancing off and closing off of accounts (4 Marks)
c) Distinguish between balance carried down and suspense account (2Marks)

QUESTION FIVE

The following Trial balances were extracted from the books of MADE Enterprises as at 30^{th} 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:

Stock on 30th October 2021 was valued at sh 565 000

Required:

a) Draw an income statement for the year ended 30th October 2021 (6marks)
b) A statement of financial position as at 30th October 2021 (4marks)

QUESTION SIX

Explain how the following accounting elements are reported in financial statements:

a) Prepaid wages (4 Marks)
b) Closing stock (4 Marks)
c) Discount received (1 Marks)
d) Creditors (1 Marks)