PAN AFRICA CHRISTIAN UNIVERSITY

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END OF SEMESTER EXAMINATION FOR THE DEGREE OF

CAMPUS:

DEPARTMENT: BUSINESS

COURSE CODE: DLM105/DBM0114/DENT0122/DSM100

COURSE TITLE: FINANCIAL ACCOUNTING I

EXAM DATE:

TIME:

INSTRUCTIONS

- This examination script consists of **SIX (6)** questions.
- Answer question **ONE** and ANY other **THREE** Questions.
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

Question One (compulsory) : (10 marks)

Accounting practice depends upon the guidance provided by a number of accounting concepts, some of which are to be found in IAS 1 and/or in the conceptional framework of the International Accounting Standards Committee.

Required:

a. Define and explain the relevance of the following accounting concepts.

i. Neutrality (2 marks)

ii. Money measurement (2 marks)

iii. Accruals (2 marks)

iv. Substance over form (2 marks)

v. Consistency (2 marks)

Question Two (10 marks)

Zee is a sole trader. At 30 June 2023 the following balances have beenextracted from his books:

	Shs
Sales	47,600.00
Purchases	22,850.00
Office expenses	1,900.00
Insurance	700.00
Wages	7,900.00
Rates	2,800.00
Heating and Lighting	1,200.00
Telephone	750.00
Discounts allowed	1,150.00
Opening stock	500.00
Returns inwards	200.00
Returns outwards	150.00
Premises	40,000.00
Plant and Machinery	5,000.00
Motor Vehicles	20,000.00
Debtors	12,500.00
Bank balance	7,800.00
Creditors	3,400.00
Loan-long term loan	10,000.00
Capital	60,000.00
Drawings for the year	4,000.00
Closing stock	550.00

Required

Trial balance as at 30th June 2023 (10 marks)

Question Three (10 marks)

The following is a trial balance of WANYONYI Ltd.

	Kshs	Kshs
Stock 1 Jan 2019	2,368,000	
Carriage inwards	200,000	
Carriage outwards	310,000	
Return Inwards	205,000	
Return outwards		322,000
Purchases	11,870,000	
Sales		18,600,000
Rent	3,862,000	
Salaries & Wages	304,000	
Insurance	78,000	
Motor expenses	216,000	
Lighting and heating expenses	166,000	
General expenses	314,000	
Premises	500,000	
Motor vehicles	1,800.000	
Debtors	3,896,000	
Fixture and fittings	350,000	
Creditors		1,731,000
Cash at Bank	482,000	
Drawings	1,200,000	
Capital		8,132,000
	28,785,000	28,785,000

Stock at 30 December 2019 was Sh. 2,946,000

Required:

i. Draw up a statement of comprehensive income for the year ended 31st Dec. 2019
ii. Statement of financial position as at 31/12/2019.

Question Four **(10 marks)**

Makula, a sole trader received his bank statement for the month of June 2021. At that date the bank balance was Sh. 706,500 whereas his cash book balance was Sh.2, 366,500.

His accountant investigated the matter and discovered the following discrepancies:

1. Bank charges of Sh.3, 000 had not been entered in the cashbook.
2. Cheques drawn by Makula totaling Sh.22, 500 had not yet been presented tothe bank.
3. He had not entered receipts of Sh.26, 500 in his cashbook.
4. The bank had not credited Mr Makula with receipts of Sh.98, 500 paid intothe bank on 30 June 2021.
5. Standing order payments amounting to Sh.62, 000 had not been entered intothe cashbook.
6. In the cashbook Makula had entered a payment of Sh.74, 900 as Sh.79, 400.
7. A cheque for Sh.15, 000 from a debtor had been returned by the bank marked "refer to drawer" but had not been written back into the cashbook.
8. Makula had brought forward the opening cash balance of Sh.329, 250 as a debit balance instead of a credit balance.
9. An old cheque payment amounting to Sh.44, 000 had been written back in thecashbook but the bank had already honored it.
10. Some of Makula's customers had agreed to settle their debts by paying directly into his bank account. Unfortunately, the bank had credited some deposits amounting to Sh.832, 500 to another customer's account.

Required:

I. A statement showing Makula's adjusted cashbook balance as at 30 June 2021. (5 marks)
II. A bank reconciliation statement as at 30 June 2021. (5 marks)

Question Five **(10 marks)**

a. Discuss **two** purposes of control accounts. (4 marks)
b. Outline 4 circumstances under which the capital of a business may change

(4 marks)

c. The following information was extracted from the book of LIMA Ltd. For the year 2020.

   (i) Initial capital as at 1/01/2006 – Sh.200,000

   (ii) Made a net loss of Sh. 50,000

   (iii) The proprietor invested into the business from her personal saving Sh.600,000

   (iv) The proprietor withdraw in cash for her personal use Sh. 250,000

Required:

Using the final capital formula, determine the final capital as at 31/12/20 **(**4 marks)

Question Six **(10 marks**)

Explain the following terms as used in Business using suitable illustrations.

(i) Business transactions (2 marks)

(ii) Credit transaction (2 marks)

(iii) Initial capital (2 marks)

(iv) Final capital (2 marks)

(v) Drawings (2 marks)