PAC INSTITUTE OF TECHNOLOGY AND SOCIAL STUDIES
MAY – AUGUST 2025 ASSESSMENT

FORMATIVE ASSESSMENT

Qualification Code	: **041306T4BUS**
Qualification	: **Business Management Level 5**
Unit Code	: **BUS/CU/BM/CC/02/5/MA**
Unit of Competency	: **FINANCIAL ACCOUNTING SKILLS**
Class Code	**: BM/MAY/2025/LV5**

TIME: 3 HOURS

INSTRUCTIONS TO THE CANDIDATE:

1. Read all the instructions carefully before attempting the questions.
2. You are allowed 3 Hours to Answer the questions.
3. Marks for each question are indicated in brackets.
4. Write your responses in the Separate Answer booklet provided.
5. Do not write anything on this question paper.
6. Attempt all questions in Section A and any Three questions in Section B.

SECTION A - 40 MARKS

(Instructions: Attempt All Questions In This Section)

1. Explain the meaning of the following accounting concepts.

   A. Going Concern Concept (2 Marks)

   B. Accrual Concept. (2 Marks)

2. State **FOUR** types of ledgers that may be maintained in a business organisation. (4 Marks)

3. State **FOUR** uses of a petty cashbook. (4 Marks)

4. Highlight **FOUR** reasons for preparing a bank reconciliation statement. (4 Mars)

5. The following information relates to wages expense of Magugo Traders for the year ended 31st December 2020.

   Wages paid in advance (1 January 2020) Ksh 50,000.

   Wages paid during the year Ksh 200,000.

   Outstanding Wages (31 December 2020) Ksh 25,000.

   Prepare a wages account (4 Marks)

6. Record the following transactions in the general journal

   A. Sold a Motor Vehicle for Kshs 1,000,000 to ABC Limited on credit. (2 Marks)

   B. Purchase machinery for Kshs 20,000 from Machines Limited on credit. (2 Marks)

7. State **FOUR** uses of a trial balance. (4 Marks)

8. State **FOUR** uses of source documents. (4 Marks)

9. Masha Traders does not maintain a complete set of accounting records. State **FOUR** challenges the firm is likely to face. (4 Marks)

10. Outline **FOUR** uses of the financial accounting information. (4 Marks)

SECTION B - 60 MARKS

(Instructions: Attempt Any Three Questions In This Section)

11. A) A good Financial Statement is a requirement by the International Accounting Standards. Explain **FIVE** qualities of a good financial statement (10 Marks).

    B) Timu Traders maintains a petty cash book on an imprest system, with a float of Ksh 25,000. Reimbursement is made on the first day of each week. (10 Marks)

    The following payments were made during the first week of April 2018 in Kshs.

April 1 Envelope	800
April 2 Rulers	700
April 3 Sugar	2,500
April 4 Tea Leaves	1,800
April 4 Printing Papers	2,000
April 5 Postage Stamps	9,000

    Prepare a petty cashbook, using the following analysis columns

    - Staff Tea
    - Stationery
    - Postage

12. A) On 1st January 2019, Chaka Traders had Kshs 100,000 cash in hand and shs 150,000 cash at bank. The following transactions took place during the month.

    January 2 Bought goods for Kshs 15,000 in cash.

    January 4 Paid salaries amounting to Kshs 75,000 in cash.

    January 5 Received a cheque of Kshs 9,00 from Mark, after allowing a 2% cash discount.

    January 8 Settled Jera Traders account of Kshs 30,000, less Kshs 1500 cash discount.

    January 12 Bought machinery for Kshs 50,000, paying by cheque.

    January 20 Took Kshs 10,000 from cash till for personal use.

    January 31 Cash sales amounted to Kshs 70,000.

    Prepare a three-column cashbook for the month of January 2019. (10 Marks)

    B) The Financial Accounting are used by various users. Explain **FIVE** users of Financial Accounting information. (10 Marks)

13. A) In Financial operations it's worth to note that there are errors that do not affect the balancing of trial balance. Explain **FIVE** errors that do not affect the trial balance. (10 Marks)

B) The following balances were extracted from the books of accounts of Mabuku suppliers as at 31st December 2020 in Kshs.

Particulars/Details	Kshs
Sales	2,500,000
Stock (1st January 2020)	800,000
Purchases	1,500,000
Wages	185,000
Commisssion received	120,000
Transport Expenses	170,000
Capital	?
Drawings	100,000
Stock (31st December 2020)	600,000
Returns inwards	425,000
Returns outwards	86,000
Carriage inwards	74,000
Carriage outwards	130,000
Discount allowed	40,000
Discount received	80,000
Debtors	2,400,000
Creditors	104,000

Prepare a trial balance as at 31st December 2020 (10 Marks)

14. A) Gen Z starts a business on 1st July 2024, when he pays Kshs 18,000 into the business cash account. During the month of July, he undertakes the following transactions:

July 3 He purchases shop fittings for Kshs 2,500 in cash.

July 4 He buys a motor vehicle from AB & Co. on credit for Kshs 3,000.

July 6 He buys stock for Kshs 1,500 in cash.

July 8 He sells goods of Kshs 1,000 and was paid by a cheque.

July 10 Buys goods on credit from XY & Co. for Kshs 1,200.

July 12 Sells goods to A. Smith for Kshs 900 on credit

July 13 pays wages Kshs 120 and paid via bank.

July 15 Pays AB & Co. Khs 2,000.

July 21 Receives from A. Smith a cheque for Kshs 500.

July 25 Sells goods for cash Kshs 300.

July 30 Pays general expenses Kshs 100 cash.

July 31 Draws Kshs 200 out of business for personal use.

Required.

Enter the above transactions the relevant ledger accounts and balance them off. (10 Marks)

B) In financial Accounting there exists International Accounting Regulations bodies such as IFAC – International Federation of Accountants, IASB – International Accounting Standards Board, among others. Explain **FIVE** objectives of International Accounting Regulatory Bodies. (10 Marks)