SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR

DIPLOMA IN COMMUNICATION AND INFORMATION TECHNOLOGY

BAC 2150: INTRODUCTION TO FINANCIAL ACCOUNTING

END OF SEMESTER EXAMINATION

SERIES: APRIL 2019

TIME: 2 HOURS

DATE: Pick Date Aug 2019

Instructions to Candidates
You should have the following for this examination
-Answer Booklet, examination pass and student ID
This paper consists of **FIVE** questions. Attempt question ONE (Compulsory) and any other TWO questions.
Do not write on the question paper.

Question ONE

a   The following **Sales Ledger Control account** was **wrongly** prepared by an **inexperienced** book keeper.

SALES LEDGER CONTROL ACCOUNT

Opening total creditors	4000	Opening total debtors	152000
Cash received from debtors	90000	Discounts received from creditors	1000
Discounts allowed to debtors	4000	Bad debts	3000
Sales on credit	125000	Cash paid to creditors	11000
Purchases on credit	20000	Return Inwards	26000
Return Outwards	1000	Balance carried forward	51000

Required

Prepare a corrected Sales Ledger Control account.   (10 marks)

b   List four reasons as to why control accounts are maintained in the General Ledger   (4 marks)

c   What are the uses of a Trial Balance and what are the differences between a Trial Balance and a Balance Sheet?   (6 marks)

d   Why do entities prepare a Bank Reconciliation Statement?   (4 marks)

e The balance at bank appearing in the bank statement in most cases does not agree with the cash book balance, Explain. (6 marks)

Question TWO

a The total float the petty cashier is required to have at beginning of every week is shs 9000 using the Imprest System of Petty Cash. On 1ˢᵗ October the following information is given

October 1	Cash balance in hand	2000
	Received reimbursement	?
1	Matatu fare	500
2	Milk for office	700
4	Bus fare	800
4	Biro pens	900
5	Sugar and tea	700
5	Matatu fare	800
6	Stationery	500
7	Milk and bread	600
7	Received reimbursement	?

Required

Petty Cash with columns for Transport, Office tea, Stationery. Show the cash amount s received.
(10 marks)

b List six types of errors that cannot be revealed by a Trial balance and give an example of each
(6 marks)

c Explain the consistency concept as used in Financial Accounting (4 marks)

Question THREE

a Draw a specimen of a source document used whenever goods are sold on credit and show all the relevant data that can be captured from it. (6 marks)

b Fumbafumbua has the following entries in his cashbook

BANK ACCOUNT

Oct 1	bal bf	4000	Oct 2	Jim	2000
4	Alif	8000	4	Fai	4000
8	BeI	6000	28	Qaf	3000
			31	Nun	5000
				Bal cd	4000
		18000			**18000**

On 31st October he received the following bank statement

		DR	CR	BALANCE
Oct 1	Opening balance			4000
4	Alif		8000	12000
4	Jim	2000		10000
5	fai	4000		6000
8	Credit transfer		9000	15000
10	Standing order	7000		8000
28	Bank charges	1000		7000
31	Direct debit	4000		3000

Required;

a   Updated cashbook   (7 marks)

b   Bank reconciliation statement   (7 marks)

Question FOUR

Write brief explanatory   notes on

a   Books of original entry   and their respective source documents   (8 marks)

b   Users of Accounting information and their respective needs.   (6 marks)

c   Bad debts ,Bad debts recovered and Provision for doubtful debts.   (6 marks)

Question FIVE

A trader has the following balances appearing in his ledger. Find the **missing** figure for **Capital.**

Gross profit	47000
Discount received	8000
Discount allowed	4000
Bad debts	5000
Bad debts recovered	9000
Provision for doubtful debts	7000
Debtors	70000
Carriage outwards	4000
10% Loan from Haraam bank	60000
Interest on haraam bank loan	6000
Audit fees	5000
Creditors	17000
Closing stock	40000
Land and buildings	80000
Provision for depreciation buildings	20000
Rent	3000
Bank overdraft	4000

Required;

a   Prepare a Trial balance   10 marks

b   Income Statement   10 marks