



PIONEER INTERNATIONAL UNIVERSITY

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ACADEMIC YEAR: 2021/2022

UNIT NAME: FINANCIAL ACCOUNTING I

SEMESTER: SEPT- DEC 2021

UNIT CODE: ACCT 1110

DATE: DEC 2021

TIME: 2 HOURS

Instructions: Answer SECTION A (Compulsory) and Any Other Two Questions

SECTION A (30Marks)

QUESTION ONE [30Marks]

- a) i. Differentiate between book-keeping and accounting? [2 Marks]
ii. Explain any three qualities of useful accounting information [3 Marks]
iii. Discuss the users of accounting information [5 Marks]
- b) Highlight five (5) objectives of accounting of a business. [10 Marks]
- c) The following transaction took place during the month of January 2014

Date	Details
January 1.	Cash balance sh 20,000 and bank balance sh 170,000
January 2.	Sold goods on credit to F.Mwirigi of sh.14,000
January 3.	Bought goods on credit from P.muthoni of sh. 9,000
January 10.	Bought goods by cheque amounting to sh.30,000
January 12.	Paid P. Muthoni by cheque the amount outstanding on 1st January after deducting 5% of cash discount
January 14.	Paid December 2013 salaries in cash amounting to sh.6,000
January 16.	Damaged goods returned by F. Mwirigi worth 5,000
January 18.	Haraka Upesi received notification from the bank of sh. 11,000 for a direct debit Transfer to his account from F.mwirigi
January 19.	Goods sold on credit to Masai list price sh.15,000 less 15% trade discount
January 28.	Banked all cash from the till except sh. 4000

Required:

- i. Three-column cashbook recording the above transactions [10 Marks]

SECTION B (40MARKS)

QUESTION TWO (20 MARKS)

- a. Explain the differences between accrued revenues and unearned revenues, giving an example in each case [2Marks]
- b. Name the various source documents for recording the various daily transactions in the business [8Marks]
- c. Discuss any Five (5) errors that don't affect the equality of the trial balance [5 Marks]
- d. State and explain any five users of accounting information [5 Marks]

QUESTION THREE (20 MARKS)

- a. State the importance of a balance sheet in a business firm. [2Marks]
- b. Tumaini is a sole proprietor operating business in Makutano and the following trial balance relates to his business for the year ended 31st December, 20x3.

<u>Particulars</u>	<u>Dr. (Kshs '000')</u>	<u>Cr. (Kshs '000')</u>
Motor vehicles	5,600	
Furniture	3,200	
Buildings	3,300	
Stock (1/1/2011)	2,000	
Sales		30,000
Purchases	20,000	
Provision for depreciation: Motor vehicles		1,600
Provision for depreciation: Furniture		200
Returns	2,000	1,000
Discount	800	1,000
Debtors/creditors	8,000	4,000
Bad debts	1,000	
Motor vehicles expenses	700	
Rent	500	
Salaries and wages	800	
Electricity	1,500	
Telephone	300	
General expenses	500	
Drawings	2,000	
Capital		14,300
10% Long term loan		1,500
Bank	1,400	
TOTAL	<u>53,600</u>	<u>53,600</u>

Additional information

1. Stock at 31/12/20x3 amount to Kshs 3,000,000
2. Motor vehicle expenses unpaid amount to Kshs 300,000.
3. A quarter of telephone bills relate to the year 20x4.
4. Un paid electricity and water amount to Ksh 100,000
5. Depreciation on motor vehicles and fixtures is at 20% and 10% respectively on cost.
6. Salary and rent prepaid were Kshs 200,000 and Kshs 100,000 respectively.
7. Interest on loan was outstanding as at 31st December 20x3.

Required

- i) Income Statement for the year ended 31/12/20x3.
- ii) Balance sheet as at 31/12/20x3. [18Marks]

QUESTION FOUR (20 MARKS)

- a) Explain the effects of the following errors in the books of accounts: [4 Marks]

- (i) Error of Commission
- (ii) Error of Original entry
- (iii) Error of a Principal
- (iv) Error of Omission

- d) The following information was available in the books of meru traders during the month of January 2016

January 1.	Sales ledger balance	357,400
	Total credit sales for the month	381,200
	Sales returns and allowances	5,600
	Discount allowed	2,900
	Cash received from debtors	356,500
	Bad debts written off	28,000
	Carriage paid and charged to debtors	25,000

Required:

- a) Prepare a sales ledger control a/c [4 Marks]
- b) List and explain five accounting concepts underlying the preparation of financial statement [8 Marks]
- c) Distinguish between capital expenditure and revenue expenditure [4 Marks]

