



RIARA SCHOOL OF BUSINESS

NURTURING INNOVATORS

JANUARY – APRIL 2024 SEMESTER EXAMINATIONS
EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION AND BACHELOR
OF BUSINESS INFORMATION TECHNOLOGY
EVENING PROGRAMME

RAC 101: PRINCIPLES OF FINANCIAL ACCOUNTING 1

DATE: 8TH APRIL 2024

TIME: 2 HOURS

GENERAL INSTRUCTIONS:

Students are NOT permitted to write on the examination paper during reading time.

This is a closed book examination. Text book/Reference books/notes are not permitted.

SPECIAL INSTRUCTIONS

1. Write your REGISTRATION NO. Clearly on the answer booklet(s).
 2. Answer Question One and ANY other TWO questions.
 3. Questions in all sections should be answered in answer booklet(s)
 4. PLEASE start the answer to EACH question on a NEW PAGE.
 5. For the questions, write the number of the question on the answer booklet(s) in the order you answered.
 6. Write on both sides of each leaf and indicate number of each question at the top of each page.
 7. Write the answers in a paragraph form unless stated otherwise.
 8. Marks allocated to each question are shown at the end of the question.
 9. All rough work must be done on the answer booklet and crossed through!
 10. Use supplementary pages only when you have exhausted those in this book
 11. Fasten the supplementary pages to the inside back cover of this booklet
- QUESTION ONE**

(COMPULSORY (30 MARKS))

QUESTION ONE

(a) Differentiate between:

- (i) Bad debt written off and provision for bad and doubtful debts **(4 Marks)**
- (ii) Carriage inwards and carriage outwards **(2 Marks)**

(b) Explain **FOUR** elements of the financial statements **(4 Marks)**

(c) The information above was extracted from the books of Baraka Enterprises, a sole proprietor business for the year ended 31st December 2022

	Dr	Cr
PARTICULARS	Shs.	Shs.
Cash in hand	295,000	
Debtors	12,300,000	
Purchases	92,100,000	
Return inwards	550,000	
Return outwards		307,000
Carriage inwards	215,000	
Creditors		9,370,000
Opening inventory	23,910,000	
Motor vehicle	4,100,000	
Office equipment	6,250,000	
Carriage outwards	309,000	
Sales		130,900,000
Capital		22,535,000
Cash at bank	3,115,000	
Motor expenses	1,630,000	
Insurance expense	492,000	
Office expenses	1,377,000	
Sundry expenses	284,000	
Rent expense	2,970,000	
Telephone charges	405,000	
Salaries and wages	12,810,000	
	163,112,000	163,112,000

Additional Information

1. Closing inventory as at 31st December 2022 was valued at 27,475,000
2. Accrued wages as at 31st December 2022 was Shs.190,000
3. Prepaid rent as at 31st December 2022 was Shs.30,000

Required:

- (i) Income Statement for the year ended 31st December 2022 **(10 Marks)**
- (ii) Balance Sheet as at 31st December 2022 **(10 Marks)**

QUESTION TWO

(a) With examples explain the following terms:

(i) Matching concept

(2 Marks)

(ii) Dual aspect

(2 Marks)

(b) The following information was extracted from XYZ Limited in the month of January 2023:

Jan 1st: Balance brought forward: Cash Shs.12, 300; Bank Shs. 57,560

Jan 2nd: The following debtors paid their accounts by cheque, in each case deducting 5% discount: William Shs.2, 400; Tom Shs.4, 200; Richard Shs.8, 000

Jan 4th: Paid rent by cheque Shs.1, 200

Jan 8th: The business paid the following creditors accounts by cheque in each case deducting a 5% cash discount: Nicholas Shs.5, 600; Peter Shs.8, 800; Rose Shs. 5,000

Jan 10th: Paid motor expenses in cash Shs.2, 440

Jan 12th: Paid salaries in cash Shs.4, 000

Jan 15th: Paid wages in cash Shs.1, 600 and Insurance expenses Shs.2, 000

Jan 18th: The following debtors settled their accounts by cheque in each case deducting 5% cash discount: Winston Shs. 4,600; Robert Shs.8, 400; Winter Shs.5, 600

Jan 21st: Cash withdrawn from the bank Shs.5, 500 for business use

Jan 24th: Cash drawings Shs. 2,200

Jan 25th: Paid James cash for his account of Shs.2, 400 and deducted Shs.200 cash discount

Jan 29th: Bought furniture and paid by cheque Shs.8, 500

Jan 31st: Received dividends by cheque Shs.1080

Required: Prepare a three column cash book from the information above

(16 Marks)

QUESTION THREE

- (a) Amani owns a small kiosk. The following balance remained in his ledger on 30th April 2023 after the draft Income statement had been prepared.

	Shs.	Shs.
Fixed assets	31,200	
Stock	1,250	
Trade debtors	1,130	
Bank	610	
Trade creditors		2,720
Net profit for the year		3,100
Drawings	1,180	
Capital as at 1 st May 2023		29,200
Suspense		350

He subsequently discovered the following errors:

1. Unpaid invoice for Shs.192 had been correctly recorded in the heating account but no other entry had been made for this entry
2. The part time assistant receives Shs.40 per week in wages, which is paid out of sales. One payment had been omitted from the wages account. The other entry in respect of this item was correct
3. New shelves costing Shs.320 had been recorded incorrectly in the purchases account
4. An invoice for Shs.124 for telephone calls had been posted to expense account as Shs.142
5. A supplier of groceries had been sent a cheque for Shs. 240 in March 2023. This was in full settlement of an invoice after Alex had deducted a 4% cash discount. The cash discount had been recorded on the debit side of discount allowed account
6. Sales on credit to a local hospital amounting to Shs.160 had been correctly entered in the personal ledger account but had been omitted from the sales account

Required:

- (i) Show the journal entries to correct the above errors (8 Marks)
- (ii) Write up a duly balanced suspense account (4 Marks)
- (iii) A statement of corrected net profit for the year ended 30th April 2023 (4 Marks)

(b) Evaluate **FOUR** errors not affecting the trial balance

(4 Marks)

QUESTION FOUR

(a) Explain **FOUR** users of the financial reports

(8 Marks)

(b) The following transaction relates to Anne's enterprise which took place during the month of May 2023.

May 1: Started business with the following:

- Shs. 50,000 in bank
- Shs. 20,000 Cash in hand

May 2: Bought goods for cash Shs. 4,000

May 3: Bought goods on credit from Jane Shs.3, 000

May 7: Bought goods on credit from Hussein Shs.3, 500

May 9: Paid Hussein the outstanding amount by cheque

May 14: Bought furniture worth Shs. 5,000 from Desk Limited

May 14: Paid rent by cash Shs.1, 200

May 17: Bought goods for cash Shs.5, 000 and also on credit from Mary Shs.4, 000

May 23: Sold goods for cash Shs.5, 000

May 29: Paid a cheque to Jane Shs.3, 000

May 29: Paid monthly salaries by cheque Shs.8, 000

Required: Record the above transactions in journal entries

(12 Marks)