GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS

JANUARY-APRIL 2026 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCAC 101

COURSE TITLE: FINANCIAL ACCOUNTING 2

DATE: 09 APRIL 2026 **TIME:2 HOURS**

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY.**
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: *All exam rooms are under CCTV surveillance during the examination period.*

SECTION A: COMPULSORY

Question One

a) Explain **five key characteristics** that distinguish Non-Profit Making Organisations from profit-making business entities. **[10 Marks]**

b) Discuss **five major sources of income** for Non-Profit Making Organisations and explain how each source is treated in the financial statements**.** **[10 Marks]**

c) The accountant of Bahari Ltd discovered the following errors after preparing the trial balance:

1. A payment of KES 45,000 for motor expenses was recorded as a purchase.

2. A credit sale of KES 12,000 was completely omitted from the books.

3. A cheque received from a debtor, KES 20,000, was credited to the bank but not posted to the debtor's account.

4. A purchase of furniture worth KES 25,000 was debited to the purchases account.

5. A debit balance of KES 15,000 in the rent account was incorrectly shown on the credit side of the trial balance.

Required:

i. Identify the type of error in each case**.** **[5 Marks]**

ii. Pass journal entries to correct the above errors**.** **[5 Marks]**

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

The balances and transactions affecting the control accounts of Kimathi LTD, for the month of November 2019 are listed below:-

	Sh.
Balances on 1 November 2019:	

Sales ledger	9,123,000	(debit)
	211,000	(credit)
Purchases ledger	4,490,000	(credit)
	88,000	(debit)

Transactions during November 2019:

Purchases on credit	18,135,000
Allowances from suppliers	629,000
Receipts from customers by cheques	27,370,000
Sale on credit	36,755,000
Discount received	1,105,000
Payments to creditors by cheques	15,413,000
Contra settlements	3,046,000
Bills of exchange receivable	6,506,000
Allowances to customers	1,720,000
Customers cheques dishonored	489,000
Cash received from credit customers	4,201,000
Refunds to customers for overpayments	53,000
Discounts allowed	732,000

Balances on 30 November 2019

Sales ledger	136,000	(credit)
Purchases ledger	67,000	(debit)

Required:

a) The sales ledger control account **[10 Marks]**

b) The Purchases ledger control accounts for the month of November 2019 **[10 Marks]**

Question three

QUESTION THREE: BANK RECONCILIATION

a) The cash book of Kijani Enterprises showed a debit balance of KES 75,000 as at 31st May 2025. Upon comparison with the bank statement, the following discrepancies were noted:

1. A cheque of KES 18,000 deposited was not yet credited by the bank.
2. Bank charges of KES 2,000 were not recorded in the cash book.
3. A customer directly paid KES 10,000 into the bank account, not yet recorded.
4. Cheques totaling KES 25,000 had not been presented to the bank.
5. A cheque for KES 7,500 issued was incorrectly entered in the cash book as KES 5,700.
6. A standing order for rent of KES 12,000 was paid by the bank but not recorded.

Required:

i. Prepare the **Adjusted Cash Book**. **[6 Marks]**

ii. Prepare the **Bank Reconciliation Statement** as at 31st May 2025. **[6 Marks]**

b) Explain four reasons why cash book balance may be different from bank statement **[8 Marks]**

Question Four

a) The following is a list of debtors for the recent years relating to Kimwana enterprises. Due to high rates of bad debts, Kimwana decided to write them off and decided to create a provision for bad debts at the rate of 2% per annum on the remaining debtors with effect from year 2016.

2016 Kshs 5000,000 Bad debts Kshs 200,000

2017 Kshs 5,500,000 Bad debts Kshs 400,000

2018 Kshs 6,000,000 Bad debts Kshs 300,000

2019 Kshs 9,000,000

Required;

i) Debtors account **[6 Marks]**

ii) Bad debts account **[4 Marks]**

iii) Provision for bad and doubtful debts account **[4 Marks]**

b) Explain the following terms as used in non-profit making organisation

i) Surplus **[2 Marks]**

ii) Deficit **[2 Marks]**

iii) Accumulated fund **[2 Marks]**

Question 5

a) Explain **five categories of financial ratios** commonly used in financial analysis, clearly stating the purpose of each category. **[10 Marks]**

b) Using relevant examples, discuss **five limitations of ratio analysis** as a tool for decision-making. **[10 Marks]**