PAN AFRICA CHRISTIAN UNIVERSITY

SCHOOL OF LEADERSHIP, BUSINESS & TECHNOLOGY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF COMMERCE

BACHELOR OF BUSINESS LEADERSHIP

SEPTEMBER-DECEMBER 2019

CAMPUS: VALLEY ROAD

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: BUA3213|BCM107

COURSE TITLE: FINANCIAL ACCOUNTING II

EXAM DATE: TUESDAY 3RD DECEMBER 2019

DURATION: 2 HOURS

TIME: 5:30PM-7:30PM

INSTRUCTIONS

- Read the instructions and questions carefully before you write the answers.
- Write your **STUDENT NUMBER** in the Answer Booklet given
- *Write clearly and legibly.*
- This exam script consists of **Six (6)** questions.
- Answer question **ONE** and ANY other **three** Questions.
- *ALL PAC University's examination rules and regulations apply*

QUESTION ONE: COMPULSORY

a) Outline three uses of control accounts (3 Marks)
b) Differentiate between Memorandum of association and Articles of association (4 Marks)
c) Mike and George are in a partnership sharing profits and loss in the ratio of 3:2

Their partnership agreement provides for the following.

- Interest to be allowed on capital at a rate of 10% per annum
- Interest to be charged on drawings at the rate of 5% per annum
- Mike and George are entitled to an annual salary of 18Million and 12 Million respectively.
- Mike guaranteed George that George's total income from the partnership will not be less than 23 Million per annum.

The partnership trial balance as at 20th September 2018 was as follows.

	DR	CR
Building at cost	200,000,000	
Equipment at cost	100,000,000	
Accumulated depreciation:		
Buildings		10,000,000
Equipment		20,000,000
Capital accounts:		
Mike		200,000,000
George		100,000,000
Current accounts:		
Mike		8,200,000
George		2,800,000
Gross profit		390,000,000
Discount received		10,000,000
Debtors and creditors	36,000,000	21,000,000
Provisions for doubtful debts		1,700,000
Drawings:		
Mike	40,000,000	
George	20,000,000	
Staff salaries	100,000,000	
Sales and distribution costs	90,700,000	
Discount allowed	12,000,000	
Office expenses	60,000,000	
Insurance and rates	42,000,000	
Bad debts	8,000,000	
Inventory (30th September 2018)	38,000,000	
Bank balance	16,000,000	
Cash in hand	1,000,000	
	763,700,000	**763,700,000**

Additional information

1. Provision for doubtful debts is increased by shs. 100,000 on 30th September 2018.
2. As at 30th September 2018 prepaid insurance amounted to shs. 2,000,000 while sales and distribution costs accrued amounted to shs. 300,000.

3. Depreciation is provided for as follows:
    - Building 5% on cost
    - Equipment 20% on cost

Required

a) Income and appropriation statement for the year ended 30th September 2018 (10 Marks)
b) Partner's current account (4 Marks)
c) Statement of financial position (9 Marks)

QUESTION TWO

The following trial balance was extracted from the books of Mzalendo Limited Company as at 31st December 2018.

	DR	CR
Trade receivables and Trade payables	4,500,000	3,960,000
General reserves	-	3,800,000
Gross profit for the period		9,500,000
Inventories (31st December 2018)	3,200,000	-
Ordinary share capital		7,000,000
10% preference share capital	-	2,000,000
Bad debts written off	120,000	
Salaries and wages	2,940,000	
Furniture and fittings (at cost 7,000,000)	5,600,000	
Land at cost	13, 695,000	
Retained earnings (1st January 2018)	-	2,100,000
Directors fees	900,000	
Cash balances	150,000	
12% Debentures	-	3,000,000
Discount allowed and Discount received	170,000	85,000
Allowances for doubtful debts	-	400,000
Debenture interest paid	300,000	
Rent income	-	800,000
Interim Preference dividend paid	180,000	
Interim Ordinary dividend paid	130,000	
Corporate tax paid	410,000	
Prepaid directors fees	150,000	
Accrued rental income	200,000	
	32,645,000	**32,645,000**

Additional information:

1. Provisions as at 31st December 2018 are made as follows:
    - Audit fees Shs. 360,000
    - Outstanding debenture interest.
2. Included in the salaries and wages is an amount of Shs. 140,000 relating to January 2019.
3. Allowances for doubtful debts are to be made at 10% of trade receivables.
4. Furniture and fitting are to be depreciated at 10% of the net book value.
5. The directors have recommended the following:
    - Shs. 700,000 to be transferred to general reserve.

- Outstanding preference dividend and a 5% ordinary dividends be paid as final dividend

Required

Income statement for the year ended on 31st December 2018. (10 Marks)

QUESTION THREE

The following balances were extracted from the books of Jembe Ltd for the month of April 2018.

Balances as at 1st April 2018:		
Sales ledger		
	Debit	420,000,000
	Credit	1,484,000
Purchases ledger		
	Debit	1,708,000
	Credit	240,100,000
Transactions for the month:		
Dishonored cheques from credit customers		13,230,000
Cash receipts from credit customers		205,170,000
Refunds to customers for overpayments		1,470,000
Contra entry settlements		87,850,000
Discount received		45,780,000
Payments to creditors by cheque		996,520,000
Receipts from customers by cheque		830,235,000
Allowances from suppliers		16,912,000
Credit purchases		1,085,098,000
Cash purchases		74,270,000
Credit sales		1,318,100,000
Cash sales		107,108,000
Balances as at 30th September 2018:		
Sales ledger (credit)		2,205,000
Purchases ledger (debit)		770,000

Required

a) Sales ledger control account for the month ended 30th April 2018 (5 Marks)

b) Purchases ledger control account for the month ended 30th April 2018 (5 Marks)

QUESTION FOUR

The following have been extracted from the books of Matunda Manufactures, a small scale manufacturing enterprise as at 31st December 2012

Inventory as at 1st January 2012:		
Raw materials	7,000,000	
Work-in-progress	5,000,000	
Finished goods	6,900,000	
Purchases of raw materials	38,000,000	
Direct labour	28,000,000	
Factory overheads:		
Variable		16,000,000
Fixed		9,000,000
Administrative expenses:		
Rent and rates		19,000,000
Lighting		6,000,000
Stationery and postage		2,000,000
Staff salaries		19,380,000
Sales		192,000,000
Plant and Machinery at cost		30,000,000
Provision for depreciation on plant and machinery		12,000,000
Motor vehicle (for sales delivery) at cost		16,000,000
Provision for depreciation for motor vehicles		4,000,000
Trade creditors		5,500,000
Trade debtors		28,000,000
Drawings		11,500,000
Balance at bank		16,600,000
Provision for unrealized profit 1st January 2012		1,380,000
Motor vehicle running cost		4,500,000

Addition information:

1. Inventory at 31st December 2012 were as follows:

Raw Materials	9,000,000
Work-in-progress	8,000,000
Finished goods	10,350,000

2. The factory output is transferred to the trading account at factory cost plus 25% of factory profit.
3. Depreciation is provided as
   - Plant and machinery 10% per annum on cost
   - Motor vehicle 25% per annum on cost
4. Amounts accrued at 31st December 2012 for direct labour amounted to shs 3,000,000 and rent and rates prepaid at 31st December 2012 amounted to Shs. 2,000,000

Required

a) Manufacturing account for the year ended 31st December 2012 (5 Marks)

b) Income statement for the year ended 31st December 2012. (5 marks)

QUESTION FIVE

A, B & C have been in partnership sharing profit in the ratio of 3:2:2. On 31st December 2014 they decided to admit D into the partnership on payment of capital of shs. 5,000,000.
The statement for the financial position on that date was as follows.

			SHS	
Land and buildings			10,000,000	
Motor vehicles			5,000,000	
Furniture			4,000,000	
			19,000,000	
CURRENT ASSETS				
Inventory		3,000,000		
Account receivable		2,000,000		
Cash and Bank		1,000,000		
		6,000,000		
CURRENT LIABILITY				
Account payable	2,000,000			
Accruals	1,000,000	(3,000,000)		3,000,000
				22,000,000
FINANCE BY:				
Capital account:				
A			7,000,000	
B			5,000,000	
C			3,000,000	
Current accounts:				
A			3,000,000	
B			2,000,000	
C			2,000,000	
			22,000,000	

Additional information

1. For the purpose of admission the assets were revalued as follows:

Goodwill	900,000
Land and building	12,000,000
Motor vehicles	4,000,000
Inventory	3,500,000
Accounts receivable	1,500,000

2. The partnership does not wish to retain goodwill in its account.
3. The new profit sharing ratio 3:1:1:1 to A, B, C and D respectively.

Required

a. Partner's capital account (4 Marks)
b. Partner statement of financial position (6 Marks)

QUESTION SIX

a) Explain three factors that would lead to the formation of a Partnership business. (6 Marks)
b) Outline the contents in the memorandum of association (4 Marks)