



PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: BCM 107/BIT107/BUA 3213

COURSE TITLE: FINANCIAL ACCOUNTING II

EXAM DATE:

TIME:

INSTRUCTIONS

- Read all questions carefully before attempting.
- Question One is **compulsory and attempt any two questions from section B**
- Write your **student number** on the answer booklet provided.

SECTION A – COMPULSORY (10 MARKS)

QUESTION ONE

The following trial balance was extracted from the books of SAM SAMSAM Limited on 30th September 2021:

	Shs.	Shs.
Ordinary shares (shs 20 par value)		80,000,000
10% Preference shares (Shs. 20 par value)		10,000,000
Share premium		20,000,000
General reserve		30,000,000
Profit and loss balance b/f (1 st October 2020)	8,000,000	
Stock (1 st October 2020)		8,000,000
Purchases and Sales	221,000,000	400,000,000
Land and buildings (Buildings 40 million) at cost	131,000,000	
Equipment at cost	20,000,000	
Motor vehicle at cost	60,000,000	
Accumulated depreciation:		
Buildings		1,000,000
Equipment		2,000,000
Motor vehicles		12,000,000
Debtors and Creditors	80,000,000	60,000,000
Administration expenses	44,600,000	
Distribution costs	80,000,000	
Rent income		10,000,000
Bad debts	3,600,000	
Provisions for doubtful debts		3,000,000
10% Debentures		40,000,000
Interest on debentures paid	2,000,000	
Bank balance	<u>25,800,000</u>	
	<u>676,000,000</u>	<u>676,000,000</u>

Additional information

The following balances were available as at 30th September 2021

• Stock	9,000,000
• Rent income accrued	2,000,000
• Estimated corporate tax	12,000,000

Required

Income statement for the year ended 30th September 2021 (10 Marks)

SECTION B – ATTEMPT ANY THREE QUESTIONS (30 MARKS)

QUESTION TWO

A and B own a grocery shop. Their first financial year ended on 31 December 2023. The following balances were taken from the books on that date:

Capital:	A- 900,000;	B - 480,000.
Partnership salaries:	A - 120,000;	B - 60,000.
Drawings:	A - 180,000;	B - 134,000.

The firm's net profit for the year was 548,400.

Interest on capital is to be allowed at 10% per year.

Profits and losses are to be shared equally.

Required:

From the information above prepared the

- a) The firm's appropriation account (5 Marks)
- b) The partners' current accounts. (5 Marks)

QUESTION THREE

The following information was obtained from the books of B. Spikes Manufactures for the year ended 31st December 2022

B spikes Trial Balance as on 31 December 2012

	Dr	Cr
	Sh	Sh
Stock of raw materials 1 st January 2022	21,000,000	
Stock of finished goods 1 st January 2022	38,900,000	
Work in progress 1 st January 2022	13,500,000	
Wages :		
• Direct £180,000,000:		
• Indirect £145,000,000 Factory:		
Factory Royalties	7,000,000	
Carriage inwards (on raw materials)	3,500,000	
Purchases of raw materials	370,000,000	
General factory expenses	31,000,000	
Lighting	7,500,000	
Factory power	13,700,000	
Administrative salaries	44,000,000	
Sales representatives' salaries	30,000,000	
Commission on sales	11,500,000	
Rent	12,000,000	
Insurance	4,200,000	
General administration expenses	13,400,000	
Discounts allowed	4,800,000	
Carriage outwards	5,900,000	
Sales		1,000,000,000
Debtors and creditors	142,300,000	125,000,000
Bank	56,800,000	
Cash	1,500,000	
Drawings	20,000,000	
Capital as at 1 st January.2022		<u>296,800,000</u>
	<u>1,421,800,000</u>	<u>1,421,800,000</u>

Additional information at 31.12.2022

1. Stock of Raw Materials Sh 24,000,000, Stock of Finished Goods Sh 40,000,000, Work in Progress £15,000,000.
2. Lighting, and rent and insurance are to be apportioned: factory 5/6ths, administration 1/6th.

Required:

Prepare a manufacturing, income statement for the year ended 31 December 2022.

(10 Marks)

QUESTION FOUR

- a) Distinguish between Memorandum of association and Articles of association (4 Marks)
b) Discuss the three users of financial statements (6 Marks)

QUESTION FIVE

The following information has been extracted from the books of Mawazo traders limited for the month of April 2022.

Balance as 1st April 2022

Sales ledger	- Debit balances	838,000
	- Credit balances	184,000
Purchases ledger	- Debit balances	196,000
	- Credit balances	598,000

Transactions during the month:

Sales on credit	8,784,000
Purchases on credit	7,849,000
Returns inwards	248,000
Returns outwards	179,000
Cheques received from debtors	2,968,000
Cheques paid to creditors	4,674,000
Cash paid to creditors	1,393,000
Bad debts written off	139,000
Discount allowed	162,000
Discount received	231,000
Credit sales offset against credit purchases	356,000
Dishonored cheques from debtors	193,000
Allowances from suppliers	31,000
Bills of exchange receivable	325,000

Balances as at 30th April 2022

Sales ledger credit balances	123,000
------------------------------	---------

Purchases ledger debit balances

177,000

Required

- a) Prepare the Sales ledger control account for the month ended 30th April 2022 (5 Marks)
- b) Prepare the purchases ledger control account for the month ended 30th April 2022.
(5 Marks)

QUESTION SIX

- a) Outline four uses of control accounts. (4 Marks)
- b) Explain two factors that would lead to the formation of a Partnership business. (4 Marks)
- c) Highlight two purposes of non – profit making organizations. (2 Marks)