PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

SEPTEMBER- DECEMBER 2022

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE:

COURSE TITLE: FINANCIAL ACCOUNTING III

EXAM DATE:

TIME:

INSTRUCTIONS

- This examination script consists of **Six (6)** questions.
- Answer question **ONE** and ANY other **three** Questions.
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

Question One (Compulsory) **(10 marks)**

a) Define the term business combination. (2 marks)

b) Explain four steps involved in accounting for business combination. (8marks)

Question Two **(10 Marks)**

A Limited Company issued 25,000 Ordinary Shares of Shs. 25 each payable Shs. 5 on application, Shs. 10 on allotment and Shs. 5 each on subsequent calls, 20,000 shares were fully-subscribed and moneys duly received. You are required to give journal entries.

Question Three **(10 Marks)**

Prepare a statement of changes in working capital based on the following information net income for 2010 was shs. 8,000 and dividends of shs.7,000 were paid.

PARTICULARS	**2009**	**2010**
ASSETS	**Shs**	**Shs**
Current Assets		
Cash	15,800	16,600
Credit card receivable	813	747
Accounts recievable	7,387	6,853
Inventories	4,925	6,275
Marketable securities	2,975	3,425
Total Current Assets	**31,900**	**33,900**
Plant, property and equipment(PPE)		
Furniture/ Equipment	15,700	19,700
Accumulated depreciation	(4,600)	(5,600)
Net PPE	**11,100**	**14,100**
Total assets	**43,000**	**48,000**
Current liabilities		
Accounts payable	3,800	6,100

Accrued expenses payable	800	700
Taxes payable	2,400	1,200
Total Current Liabilities	**7,000**	**8,000**
Long-term Liabilities		
Mortgage payable	24,800	26,800
Total Liabilities	**31,800**	**34,800**
Stockholder's Equity		
Common stock	5,200	6,200
Retained earnings	6,000	7,000
Stockholder's Equity	**11,200**	**13,200**
Total liabilities	**43,000**	**48,000**

Question Four (10 Marks)

a) Describe **three** systems of maintaining branch accounts for a dependent branch. (6 marks)

b) State the journal entries of promissory notes in

i. The books of the payer (2 marks)

ii. The books of the payee (2 marks)

Question Five (10 marks)

a. For each category explain two types of debentures giving an example of each:

i. On the basis of records (5 marks)

ii. On the basis of redemption (5 marks)

Question Six (10 marks)

Zee Ltd. issued at shs. 100,000 10% Debenture at 95%. Subscriptions are payable as to shs. 20,000 on application and balance on allotment. Expenses of the issue are shs 500.

Required:

i. journal entries

ii. Balance Sheet of the Company.