PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

JANUARY –APRIL 2023

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: BIT 102/BCM 107/BUA 3213

COURSE TITLE: FINANCIAL ACCOUNTING II

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)**

Discuss the following explaining how they are treated in company accounts:

a. Director's salaries (2marks)
b. Audit fees (2 marks)
c. Dividends (2 marks)
d. Corporation tax (2 marks)
e. Capital reserves (2 marks)

USE THE QUESTION BELOW TO ANSWER QUESTION TWO AND THREE

The following list of balances as at 30 September 2009 has been extracted from the books of Jane and Jones, trading partnership, sharing the balance of profits and losses in the proportions 3:2 respectively.

	sh		
Printing, stationery and postage	3,500		
Sales	322,100		
Stock in hand at 1 October 2008	23,000		
Purchases	208,200		
Rent and rates	10,300		
Staff salaries	36,100		
Telephone charges	2,900		
Motor vehicle running costs	5,620		
Discounts allowable	950		
Discount receivable	370		
Sales returns	2,100		
Purchases returns	6,100		
Carriage inwards	1,700		
Carriage outwards	2,400		
Fixtures and fittings: at cost	26,000		
Provision for depreciation	11,200		
Motor vehicles: at cost	46,000		
Provision for depreciation	25,000		
Provision for doubtful debts	300		
Drawings: Brick	24,000		
Stone	11,000		
Current account balances At 1 October 2008:			
Brick	3,600	credit	
Stone	2,400	credit	
Capital account balances At 1 October 2009:			
Brick			33,000
Stone			17,000
Debtors			9,300
Creditors			8,400
Balance at bank			7,700

Additional information

1. sh10, 000 is to be transferred from Brick's capital account to a newly opened Brick

Loan Account on 1 July 2009.

2. Interest at 10 per cent per annum on the loan is to be credited to Brick.
3. Stone is to be credited with a salary at the rate of sh12, 000 per annum from 1 April 2009.
4. Stock in hand at 30 September 2009 has been valued at cost at sh32, 000.
5. Telephone charges accrued due at 30 September 2009 amounted to sh400 and rent of sh600 prepaid at that date.
6. During the year ended 30 September 2009 Stone has taken goods costing sh1, 000 for his own use.
7. Depreciation is to be provided at the following annual rates on the straight line basis: Fixtures and fittings 10%
   Motor vehicles 20%

8. Heat and light charges amounted to kshs. 8700

Question Two (10 marks)

Prepare an income statement account for the year ended 30 September 2019.

Question Three (10 Marks)

i. Prepare a statement for the financial position as at 30th September 2019
ii. Prepare summaries of the partners' capital and current accounts for the year ended on that date

Question Four (10 marks)

a. Discuss **three** reasons for incomplete records (6 marks)
b. Explain **four** main approaches in preparing final accounts where there are insufficient records (4 marks)

Question Five (10 marks)

a. The accountant of a given church which is a non-profit making organization was requested to come up with manufacturing accounts. She wants to ensure that her boss understands what she has prepared. She went further to give explanations of terms used in manufacturing accounts. Giving relevant examples assist her to discuss the following:

   i. Prime cost (5 marks)
   ii. Overheads (5 marks)

Question Six (10 Marks)

(a) The accountant of ABC Sports Club has extracted the following information from the books of account for the year ended 31 March 2009.

Receipts		Payments	
	Sh		Sh
Balance brought forward	288,000	Salaries and wages	254,000
Subscriptions		New equipment	565,000
Year: 1999/2000	249,000	Repairs and maintenance	124,000
2000/2001	2,050,000	Office expenses	415,000
2001/2002	194,000	Printing and stationery	168,000
Dinner dance	723,000	Purchase of beverages	497,000
Beverage sales	657,000	Dinner dance expenses	315,000
Investments income	400,000	Refund of subscriptions	45,000
		Sports prizes	25,000
		Transport	248,000
		Investments	1,500,000
		Balance carried forward	405,000
	4,561,000		4,561,000

Balances as at	31 March 2000	31 March 2001

Furniture and fittings (net)	240,000	-
Equipment (net)	690,000	-
Investment at cost	3,500,000	-

Subscriptions in arrears	300,000	375,000
Salaries accrued	68,000	72,000
Stock of beverages	162,000	184,000
Subscriptions in advance	85,000	-

Additional information:

1. Subscriptions in arrears are written-off after twelve months.
2. Depreciation is provided for on reducing balance method at 10% and 20% per annum on furniture and fittings and equipment respectively.
3. Investments, which had cost Sh. 500,000, were sold on 30 March 2009 for Sh. 625,000. No entries have been made in the books in this respect.

Required:

(a) Income and expenditure account for the year ended 31 March 2009. (5 Marks)

(b) Balance sheet as at 31 March 2009. (5 Marks)