



PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

MAY-AUGUST 2021

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: BCM107/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) : ANSWER ALL QUESTIONS

(10 marks)

1) The following table shows the cost incurred for the production of an item.

Direct materials	shs. 1200
Direct wages	shs 700
Manufacturing expenses	shs 100
Factory overhead expenses	shs 300

What is the amount of prime cost

- a. shs 2300
- b. shs 2 000
- c. shs 1 700
- d. shs 3 000

2) A manufacturing firm's costs were as follows:

Raw materials	55 000
Direct labour	86 400
Factory overhead	122 000
Depreciation of plant	6 400
Administrative expense	8 800
Selling & distribution expense	12 000

There was closing work in progress of shs 12 400. What was the factory cost of production

- a. shs 257 400
- b. shs 263 400
- c. shs 269 800
- d. shs 278 200

3) Receipts and Payments A/c is a summary of:

- a. All Capital Receipts and Payments
- b. All Revenue Receipts and Payments
- c. All Revenue and Capital Receipts and Payments
- d. None of the above

- 4) **In case specific fund is maintained in a not for profit making organisation, the expenses exceeding the amount of the funds, should be recorded on:**
- a. Liabilities side of the Balance Sheet
 - b. Debit side the Income and Expenditure Account
 - c. Credit side of the Income and Expenditure Account
 - d. Assets side of the Balance Sheet
- 5) **Subscription received during the year shs. 50,000 Subscriptions outstanding at the end of the year shs. 8,000. Subscription outstanding at the beginning of the year shs. 6,000. Net Income from subscription will be :**
- a. shs. 48,000.
 - b. shs. 64,000.
 - c. shs. 52,000.
 - d. shs. 36,000.
- 6) **X, Y and Z are partners sharing profits and losses equally. Their capital balances on March, 31, 2012 are shs. 80,000, shs 60,000 and shs 40,000 respectively. Their personal assets are worth as follows : X — shs 20,000, Y — shs 15,000 and Z — shs 10,000. The extent of their liability in the firm would be:**
- a. X — shs 80,000 : Y — shs 60,000 : and Z — shs 40,000
 - b. X — shs 20,000 : Y — shs 15,000 : and Z — shs 10,000
 - c. X — shs 1,00,000 : Y — shs 75,000 : and Z — shs 50,000
 - d. Equal
- 7) **In partnership accounts, which of the following statement is true?**
- a. Fixed capital account will always have a credit balance
 - b. Current account can have a positive or a negative balance
 - c. Fluctuating capital account can have a positive or a negative balance
 - d. All of the above
- 8) **If the Partners' Capital Accounts are fixed 'salary payable to partner' will be recorded :**
- a. On the debit side of Partners' Current Account
 - b. On the debit side of Partners' Capital Account

- c. On the credit side of Partners' Current Account
- d. None of the above

9) Which of the following transactions are false regarding Accounting from Incomplete records system

- a. Accounting Principles and Accounting Standards are not followed properly under this system.
- b. Two aspects of all transactions are recorded
- c. Some financial events are not recorded at all
- d. Original vouchers provide base for preparing the accounts

10) Following are the Limitations of Incomplete Records except

- a. Under this system no real and nominal accounts are maintained
- b. This method is highly flexible because it can be adjusted according to the need of the organization
- c. It is not possible to prepare a balance sheet showing the true financial position of the business
- d. Incomplete method of maintaining the accounting records

ANSWER ANY THREE QUESTIONS

Question Two

(10 marks)

KK Brothers, a manufacturing company, produces the following balances from its books at 30th September Year 2019

	Shs
Stocks at 1 October 2018:	
Raw materials	7,450
Work-in-progress(factory cost)	5,330
Finished goods(transfer value)	12,110
Purchases of raw materials	128,740
Purchases returns	310
Direct expenses	3,280

Return inwards	1,215
Carriage inwards	1,055
Rates	5,250
Light, heat and power	3,270
Direct Wages	187,240
Indirect Wages	14,320
Telephone	890
Factory repairs	2,215
Insurances	1,420
Factory salaries	38,000
Office salaries	24,000
Sales salaries	27,435
Plant & machinery (at cost)	160,000
Provision for depreciation of plant & machinery at 1 October 2018	64,000
Bad debts (written off)	325
Sales	721,560
Furniture & equipment (at cost)	
-Factory	42,000
-Office	48,000
Provision for depreciation of furniture & equipment at 1 October 2018	
-Factory	8,400
-Office	9,600

Additional information:

(1) Closing stocks at 30 September 2019 are as follows:-

	Shs
Raw materials	6,325
Work-in-progress(factory cost)	6,105

	Shs	
(2) Direct wages	1,220	15,225
Telephone	70	
Light, heat and power	210	

Prepayments at 30 September 2019:-

	Shs
Rates	450
Insurance	220

(3) Accruals at 30 September 2019:-

Direct wages	1,220
Telephone	70
Light, heat and power	210

(4) At 30

September 2019, depreciation is to be provided as follows:

	Per year on cost
Plant and machinery	20%
Furniture and equipment	10%

(5) Expenses are to be apportioned to the factory as follows:

	Shs
Rates	4 / 5
Insurances	3 / 4
Telephone	2 / 3
Light, heat and power	3 / 4

(6) It is the policy of the company to transfer goods manufactured to the warehouse at factory cost plus 15%

Required:

Prepare in vertical format, Manufacturing Accounts of KK Brothers for the year ended 30 September 2019

Question Three**(10****marks)**

- a. The net assets of Altese, a trader, at 1 January 2003 amounted to shs. 128,000. During the year to 31 December 2003, Altese introduced a further shs 50,000 of capital and made drawings of shs 48,000. At 31 December 2003, Altese's net assets totalled shs 184,000. Using this information compute Altese's total profit for the year ended 31 December 2003.

Senele does not keep proper accounting records, and it is necessary to calculate her total purchases for the year ended 31 January 2004 from the following information:

	Shs
Trade payables/creditors	
31 January 2003	130,400
31 January 2004	171,250
Payments to suppliers	888,400
Cost of goods taken by Senji for her personal use	1,000
Refund received from suppliers	2,400
Discounts received	11,200

- a. Compute the figure for purchases for inclusion in Senele financial statements. (5 marks)
- b. Altese fixes prices to make a standard gross profit percentage on sales of 33 1/3%. The following information is available for the year ended 31 January 2004 to compute her

sales total for the year:

(5 marks)

Question Four

(10 marks)

Based on the information provided, complete the following tasks:

- i. Prepare the partnership appropriation account; (4 marks)
- ii. Calculate each partner's share of the residual profit and total profit share; and (3 marks)
- iii. Prepare the partners' current accounts. (3 marks)

Amit and Burton are in partnership sharing profits in the ratio 3:2. The partnership's profit for the year was shs. 65,460. The partnership agreement provides for:

1. interest to be paid on the partners' opening capital balances at a rate of 5% per annum;
2. interest on drawings at a rate of 8% per annum on all drawings during the year; and
3. partners' salaries of:
 - ✓ Amit – shs 9,000; and
 - ✓ Burton – shs 5,000.

At the beginning of the year, the partners' capital and current account balances were:

	Capital	Current
Amit	Shs. 120,000 Cr	Shs 15,655 Cr
Burton	Shs 80,000 Cr	Shs 4,137 Dr

During the year, Amit's drawings were shs. 18,000 and Burton's drawings were shs. 31,000.

Question Five

(10 marks)

Explain **five** differences between income and expenditure account and receipts and payments account.

Question Six

(10 marks)

- a. Differentiate between non –purchased goodwill and purchased goodwill.(4 marks)
- b. Explain the **three** types of capital reserves (6 marks)