PAN AFRICA CHRISTIAN UNIVERSITY

SCHOOL OF LEADERSHIP, BUSINESS & TECHNOLOGY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

BACHELOR OF BUSINESS LEADERSHIP

JANUARY-APRIL 2019 SEMESTER

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: BUA3213|BCM107|BIT202

COURSE TITLE: FINANCIAL ACCOUNTING II

EXAM DATE: TUESDAY 9th APRIL 2019

DURATION: 3 HOURS

TIME: 2:00PM-5:00PM

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 examination script consists of **Six (6)** questions.
- Answer Question **ONE** and any other **FOUR** questions
- *ALL PAC University's examination rules and regulations apply*

QUESTION ONE: COMPULSORY

a) With a REASON describe HOW the following items are treated in the final accounts
   i. Dividends (3 Marks)
   ii. Work-in-progress (3 Marks)
   iii. Directors remuneration (3 Marks)
   iv. Interest charged on drawing (3 Marks)
   v. Depreciation of plant and machinery (3 Marks)
   vi. Retained profits for the year (3 Marks)
b) Discuss the purpose of:
   i) A debtor's ledger control account (3 Marks)
   ii) Reserves account (3 Marks)
c) Explain any two differences between share capital and share premium (4 Marks)
d) Discuss four features of incomplete records (8 Marks)
e) Distinguish between authorized share capital and issued share capital (4 Marks)

QUESTION TWO

MICHAEL maintains a cash book and some records of assets and liabilities. The following is a summary of the cash book for year ended 31 July 2018.

BANK ACCOUNT SUMMARY

	Ksh		Ksh
		Drawings	20 080
Bal b/d	1 500	Purchases	10 000
Sales	4 000	Van running expenses	4 100
Trade Debtors	39 300	Wages	5 070
		Administrative Expenses	1200
		Trade Creditors	7300

Assets and liabilities at 31 December 2004 and 2005 were:

	2004	2005
	Ksh	Ksh
Furniture	7500	?
Stock	1 350	1 450
Trade Debtors	3 400	3 750
Trade Creditors	1 250	1 450
Wages Accrued	160	170

Additional information:
Furniture is subject to 8% depreciation on cost of Sh9 000

Required:

a) A trading, Profit & Loss Account for the year ended 31 July 2018 (9 Marks)
b) A balance sheet as at 31 July 2018 (6 Marks)

QUESTION THREE

The following balances were extracted from the books of DBEK Manufacturing enterprises on 28 February 2012 on:

	Ksh
Sales	9,890,400
Purchases of raw materials	4,372,000
Carriage inwards	58,000
Carriage outwards	83,840
Stocks, 1 May 2001:	
Raw materials	225,522
Work in progress	30,180
Finished goods	194,500
Plant and machinery, at cost	980,000
Office equipment, at cost	385,000
Electricity and water	529,650
Wages and salaries:	
Direct labour	491,100
Factory labour	566,400
Administrative staff	910,150
Repairs to machinery	18,928
Advertisement expenses	198,685

Additional information:

1) Stocks as at 30 April 2002:
   Raw materials sh115,290
   Work in progress sh94,840
   Finished goods sh181,900
2) Depreciation for plant and machinery is 15% on cost and for office equipment is 20% on cost
3) Salaries of administrative staff included an amount of Sh100,000 paid to the factory manager.
4) Electricity and water was to be apportioned as follows:
   Factory : Administration 4:3

Required:

a) Prepare manufacturing account for the year ended 28 February 2012 (9 marks)
b) Prepare a trading and profit and loss accounts for the year ended 28 February 2012 (6 marks)

QUESTION FOUR

MATEMPO Co. has an Authorized Capital of Ksh1,400,000 divided into 800,000 Ordinary Shares at Ksh1 each and 600,000 8% Preference Shares at Ksh1 each. The following information has been provided for 31 Dec 2015:

	Ksh
Issued Share capital: Ordinary	550,000
8% Preference	400,000
Gross Profit	102,000
Profit 1 January 2015	45,200
6% Bank loan	40,000
Creditors	11,800
Land	825,000
Furniture	90,000
Cash	96,380

Debtors	158,300
Drawings	67,200
Corporate tax	29,880

Additional information:

Ordinary dividend is paid at 12%

Transfer to reserves	15, 000

Required:

(a) Prepare the income statement for the year ended 31 December 2015. (8 Marks)

(b) Prepare the statement of financial position for the year ended 31 December 2015. (7 Marks)

QUESTION FIVE

Bajit and William are in partnership sharing profits in the ratio 3:2. The following information is available for the partnership for the year ended 31 December 2011.

	Bajit	William
	Ksh	Ksh
Drawings	16,000	9,000
Salary	10,000	-
Capital accounts	60,000	40,000
Current accounts	1,750	4,000

The following trial balance has also been provided:

	Sh	Sh
Purchases and Sales	48,350	92,000
Carriage inwards	2,800	
Stock 1/1/2011	12,600	
Operating expenses	52,890	
Rent Received		8,100
Fixtures & Fittings at cost	44,200	

Additional information:

i. Stock as at 31/12/2011 was Sh11,550
ii. Interest on drawings is charged at 6% per annum. Interest on capital is paid at 5% per annum.
iii. Depreciation rates is provided on fixtures & fitting at 15% per annum on cost
iv. Operating expenses include prepaid advertising expenses of sh 750 and sh 5000 salary paid to Bajit

Required:

(a) Prepare an income statement for the year ended 31 December 2011 (10 Marks)

(b) Prepare the partners' current accounts for the year ended 31 December 2011 (5 Marks)

QUESTION SIX

Explain three ways in which the following differ:

a) An income statement of a manufacturer and of a trader (6 Marks)
b) A statement of affairs and of a statement of financial position company (3 Marks)
c) A partner's current account and a creditor's ledger control account (6 Marks)