PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

MAY- AUGUST EXAMS 2020

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: BUA4113

COURSE TITLE: FINANCIAL ACCOUNTING III

EXAM DATE:

TIME:

INSTRUCTIONS

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

Question One (10 marks)

a. To issue shares a company follows a definite procedure which is controlled and regulated by the Companies Act. Discuss two ways of issuing shares for a company. (4 marks)

b. Discuss the following as used in issuing of debentures giving examples on each>

   i. Debentures issued at par (2 marks)

   ii. Debentures issued at premium (2 marks)

   iii. Debentures issued at discount (2 marks)

Question Two (10 Marks)

Agro Chemical Ltd. was registered with a capital of Shs 5,000,000 divided into 50,000 shares of Shs 100 each. It issued 10,000 shares at discount of Shs 10 per share, payable as: Shs 40 per share on application: Shs 30 per share on allotment: Shs 20 per share on call.

Company received applications for 15,000 shares. Applicants for 12,000 shares were allotted 10,000 shares and applications for the remaining shares were sent letters of regret and their application money was returned. Call was made. Allotment and call money was duly received. Make journal entries in the books of the company.

Question Three (10 Marks)

a. Distinguish between a bill of exchange and a promissory note on the basis of the following:

   i. Drawer
   ii. Order of promise and parties
   iii. Acceptance
   iv. Payee
   v. Notice

Question Four **(10 marks)**

Baraka resort has the following comparative balance sheet for 2018 and 2019. Net income was shs.141,100 and dividends of shs. 154,200 were paid out. Prepare a statement of changes in working capital for 2019:

	31-dec-2018	**31-Dec-2019**
Current Assets	**Shs**	**Shs**
Cash	25,200	29,600
Accounts recievable	12,550	12,900
Credit card recievables	9,700	8,000
Inventories	2,850	1,100
Marketable Securities	2,000	3,000
Prepaid expenses	6,100	4,200
TOTAL CURRENT ASSETS	**58,400**	**58,800**
Property, Plant and equipment		
Land	194,000	194,000
Building	9,800,000	9,800,000
Furniture	184,000	134,000
Equipment	736,400	803,400
Accumulated depreciation	(2,400,000)	(2,400,000)
Net property, plant and equipment	8,514,400	8,387,200
Other Assets	509,000	609,000
Total Assets	**9,081,800**	**9,055,000**

Current Liabilities		
Accounts payable	13,700	15,700
Wages payable	4,200	5,000
Notes payable	4,900	3,700
Current mortgage payable	15,300	15,900
TOTAL CURRENT LIABILITITES	**38,100**	**40,300**
Long-term liabilities		
Mortgage payable	7,710,200	7,704,300
TOTAL LIABILITIES	**7,748,300**	**7,744,600**
Stockholder's Equity		
Common stock	960,000	950,000
Retained earnings	373,500	360,400
Total Stockholder's Equity	**1,333,500**	**1,310,400**
Total liabilities and SE	**9,081,800**	**9,055,000**

Question Five **(10 marks)**

a. Discuss **two** methods used to prepare branch accounts under the Debtor's System. (4 marks)

b. Explain **three** control accounts maintained by the head office under the Stock and Debtors system of Branch accounts. (6 marks)

Question Six **(10 marks)**

a. Discuss the following terminologies as used in the redemption of shares
   i. Redemption out of capital. (2 marks)
   ii. Redemption out of profit. (2 marks)

b. Explain **three** methods used in Redemption of shares giving an example of each. (6 marks)