PAN AFRICAN CHRISTIAN UNIVERSITY (PAC)

EXAMINATION 2020/2021

DEGREE IN BACHELOR OF COMMERCE.

CAC402: ADVANCED ACCOUNTING - ROYSAMBU DAY

DATE: APRIL 2021 **TIME: 3 HOURS**

SECTION A: COMPULSORY

QUESTION ONE (10mks)

a) Explain any FOUR generally accepted accounting principles (4mks)

b) AB & Co. Ltd. issued 5,000,000 Equity shares of ` 10 each at a premium of ` 4 per share payable ` 1 per share on application, ` 6 per share on allotment (including premium), ` 3 on first call and the balance on final call. The shares were all subscribed and all money due was received except the first call money on 1,00,000 shares and the Final call money on 1,50,000 shares.

Required: Give journal entries to record the above transactions (6mks)

SECTION B: ANSWER ANY THREE QUESTIONS

QUESTION TWO (10mks)

a) Explain FOUR current financial requirements for insurance companies (4mks)

b) From the following, prepare a balance sheet of ADT International Bank as on 31st March, 2015.

	Dr.	Cr.
Share Capital		*198.00*
19,80,000 Shares of ₹ 10 each		
Statutory Reserve		*231.00*
Net Profit before Appropriation		*150.00*

Profit and Loss Account		*412.00*
Fixed Deposit Account		*517.00*
Savings Deposit Account		*450.00*
Current Accounts	*28.00*	*520.12*
Bills Payable		*0.10*
Cash credits	*812.10*	
Borrowings from other Banks		*110.00*
Cash in Hand	*160.15*	
Cash with RBI	*37.88*	
Cash with other Banks	*155.87*	
Money at Call	*210.12*	
Gold	*55.23*	
Government Securities	*110.17*	
Premises	*155.70*	
Furniture	*70.12*	
Term Loan	*792.88*	
	2,588.22	*2,588.22*

Additional information (in lakhs)

Bills for Collection	18.10
Acceptance and endorsements	14.12
Claims against the bank not acknowledged as debt	0.55

QUESTION THREE (10mks)

a) Discuss FOUR differences between manual and computerised accounting (4mks)

b) Describe THREE limitations of computerised accounting systems (6mks)

QUESTION FOUR (10mks)

a) Briefly describe FOUR special features of hire purchase agreements (4mks)

b) On January 1, 2003 HP and Co. acquired a pick-up Van on hire purchase from FM & Co. Ltd. The terms of the contract were as follows: (a) The cash price of the van was Rs.1,00,000. (b) Rs.40,000 were to be paid on signing of the contract. (c) The balance was to be paid in annual instalments of Rs.20,000 plus interest. (d) Interest chargeable on the outstanding balance was 6% p.a. (e) Depreciation at 20% p.a. is to be written-off using the straight-line method.

Required: Give journal entries and show the relevant accounts in the books of HP and Co. for January 1, 2003 and show the relevant items in the Balance sheet of the purchaser as on December 31, 2003. (6mks)

QUESTION FIVE (10mks)

a) Explaining TWO objectives of financial statements (2mks)

b) Describe the accounting cycle (4mks)

c) Discuss FOUR types of reserves available for a company (4mks)

QUESTION SIX (10mks)

a) Differentiate between short-term and long-term assets (2mks)

b) Explain THREE emerging trends in accounting (3mks)

c) The following was the Receipts and Payments Account of Exe Club for the year ended Dec. 31, 2005

Receipts Kes.		**Payments Kes.**	
Cash in hand	100	Groundsman's Fee	750
Balance at Bank as		Moving Machine	1,500
Per Pass Book :		Rent of Ground	250
Deposit Account	2,230	Cost of Teas	250
Current Account	600	Fares	400
Bank Interest	30	Printing & Office Expenses	280
Donations and Subscriptions	2,600	Repairs to Equipment	500
Receipts from teas	300	Honoraria to Secretary and Treasurer of 2004	400
Contribution to fares	100		
Sale of Equipment	80	Balance at Bank as per Pass Book:	
Net proceeds of Variety		Deposit Account	3,090
Entertainment	780	Current Account	150
Donation for forth		Cash in hand	250
coming Tournament	1,000		
	7,820		**7,820**

For the year ended Dec. 31, 2005, the honoraria to the Secretary and Treasurer are to be increased by a total of Rs. 200.

Required: prepare the Income and Expenditure Account for 2005 (5mks)