PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

SPECIAL EXAMS 2020

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE:

COURSE TITLE: FINANCIAL ACCOUNTING III

EXAM DATE:

TIME:

INSTRUCTIONS

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

Question One **(10 marks)**

a. Explain the following terms as used in issue of shares giving examples on each:
   i. Under subscription (2 marks)
   ii. Oversubscription (2 marks)

b. For each category explain two types of debentures:
   i. On the basis of records (3 marks)
   ii. On the basis of redemption (3 marks)

Question Two **(10 Marks)**

a. Discuss five differences between a promissory note and a bill of exchange

Question Three **(10 Marks)**

a. Explain the cost price method of accounting as used in branch accounts. (2 marks)
b. From the following particulars relating to Kisumu Branch for the year ending December 31, **2018** prepare Branch Account in the books of head office. (8 marks)

	Kshs
Stock at Branch on 1-1-2018	15,000
Debtors at Branch on 1-1-2018	30,000
Petty Cash at Branch on 1-1-2018	300
Goods sent to Branch	252,000
Cash sales	60,000
Received from Debtors	210,000
Credit Sales	228,000
Cheques sent to Branch for	
Salaries	9,000
Rent and Taxes	1,500
Petty Cash	1,100
Goods returned by the branch	2,000
Stock at Branch on 31-12-2018	25,000

Petty cash at Branch on 31-12-2018	200
Debtors at Branch on 31-12-2018	48,000

Question Four (10 marks)

Luxury Cars Ltd. issued 100,000 shares of Shs 10 each at a premium of Shs 5 per share, payable as: On application Shs. 4 (including Shs 2 premium) per share. On allotment Shs 8 (including Shs 3 premium) per share On call Shs. 3 per share. Applications were received for 100000 shares and allotment was made to all. Make journal entries.

Question Five (10 marks)

a. When a buyer takes control of another business with a transaction, it is called a **business combination.** Explain three considerations made under this definition. (6 marks)
b. Discuss the international Financial Reporting Standard used in Business combination. (4 marks)

Question Six (10 marks)

ABC Ltd issued 5000 10% Debentures of Kshs. 100 each payable as Kshs. 40 on application and Kshs. 60 on allotment. Applications were received for 6000 debentures. Applicants for 500 debentures were sent letter of regret and money was returned. Allotment was made proportionately to the remaining applicants. Over subscription was applied to the amount due on allotment. All money was duly received. Make journal entries for the above transactions in the books of the company.