PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: BUA3213|BCM107|BIT202

COURSE TITLE: FINANCIAL ACCOUNTING II

EXAM DATE: MONDAY

TIME: 2.00PM – 5.00PM

INSTRUCTIONS

- This examination script consists of **six(6)** questions.
- Answer question ONE and ANY other three Questions.
- Show all your workings
- Read all questions carefully before attempting.

Write your **student number** on the answer booklet provided.

QUESTION ONE

Describe HOW the following items are treated in the final accounts

a) Dividends (2 Marks)
b) Work-in-progress (2 Marks)
c) Directors remuneration (2 Marks)
d) Interest charged on drawing (2 Marks)
e) Depreciation of plant and machinery (2 Marks)

QUESTION TWO

TERESA maintains a cash book and some records of assets and liabilities. The following is a summary of the cash book for year ended 31 Dec 2021.

	Sh		**Sh**
Balance at 1/1/21	15,800	Trade payable	90,000
Sales	17,800	Insurance	8,000
Trade receivable	150,000	Drawings	12,000
		Sundry expenses	42,500
		Purchase of computer	7,000
		Balance c/d	**24,100**

The following information was obtained from the books of Menel:

	1/1/21 Sh	**31/12/21 Sh**
Computer (NBV) cost 20,000	15,000	?
Trade payable	12,500	52,514
Trade receivable	16,700	12,299
Inventory at cost	12,000	17,000
Bank	15,800	24,100
Insurance prepaid	200	1,000

Additional Information:

1. Discounts allowed to customers totaled Sh8,500 and discounts received from suppliers were Sh5,600.
2. Bad debts of Sh2,000 were written off during the year.
3. Depreciation on the computer is charged at 20% on cost of assets held at the year end.
4. The following payments were made from cash which had been received from sales before paying into the bank: Drawings Sh5,000, Purchases Sh15,000, Sundry expenses Sh470

Required:

a) An income statement for the year ended 31 Dec 2021 (7 Marks)
b) A statement of financial position as at 31 Dec 2021 (3 Marks)

QUESTION THREE

DANCUNS, a manufacturing company, produces the following balances from its books at 30th June 2022:

	Sh	Sh
Stocks at 1 July 2021:		

Raw materials	7,450	
Work-in-progress	5,330	
Finished goods	12,110	
Purchases of raw materials	128,740	
Carriage inwards of raw materials	1,055	
Sales returns and Purchase returns	1,215	310
Sales	721,560	
Bad debts written off	325	
Direct wages	190,520	
Salaries	116,800	
Plant & machinery at cost	160,000	
Furniture & equipment at cost	90,000	
Provision for depreciation of plant & machinery		64,000
Provision for depreciation for furniture & equipment		18,000

Additional information:

1) Closing stocks at 30 September 2017 are as follows:-

Raw materials	Sh6,325
Work-in-progress	Sh6,105
Finished goods	Sh15,225

2) Salaries were paid in advance bySh740.
3) Direct wages outstanding were Sh1,220
4) Depreciation was charged for plant and machinery at 20% and for furniture and equipment at10%
5) Salaries are to be apportioned among the factory, office, and selling/distribution as 5:2:3
6) It is the policy of the company to transfer goods manufactured to the warehouse at factory cost plus 15%

Required:

a) Prepare a Manufacturing Account for the year 30th June 2022 (6 Marks)
b) Prepare an Income Statement for the year ended 30th June 2022 (4 Marks)

QUESTION FOUR

DENKA 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 2021: Ksh

Issued Share capital: Ordinary	550,000
8% Preference	400,000
Gross Profit	102,000
Profit 1 January 2021	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 2021. (6 Marks)

(b) Prepare the statement of financial position for the year ended 31 December 2021. (4Marks)

QUESTION FIVE

Alpha, Beta and Gamma are in partnership sharing profits in the ratio 4:3:2. The following information is available for the partnership for the year ended 31 July 2022.

	Alpha	Beta	Gamma
	Ksh	Ksh	Ksh
Drawings	12,000	8,200	4,100
Salary	3,200	12,000	3,200
Capital accounts	7,500	22,300	17,200
Current accounts	1,750	2,150	1,900

Interest on drawings is charged at 10% per annum. Interest on capital is paid at 5% per annum.

The **following information** has also been provided:

	Sh	Sh
Purchases and Sales	626,130	812,540
Carriage inwards	2,800	
Stock 1/8/2021	65,280	
Operating expenses	98,930	
Stock 31/07/2022	64,200	

Required:

(a) Prepare an income statement for the year ended 31 July 2022 (10 Marks)

(b) Prepare the partners' current accounts for the year ended 31 July 2022 (5 Marks)

QUESTION SIX

a) Discuss the purpose of:
   i. A debtor's ledger control account (3 Marks)
   ii. Reserves account (3 Marks)

b) Distinguish between authorized share capital and issued share capital (4 Marks)