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: TUESDAY

TIME: 6.30PM – 9.30PM

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

Giving a REASON 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

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 2023.

BANK ACCOUNT SUMMARY

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

Assets and liabilities at 31 December 2022 and 2023 were:

	2022	2023
	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 25% depreciation on cost of Sh9 000

Required:
a) An Income Statement for the year ended 31 July 2023 (7 Marks)
b) A statement of financial position as at 31 July 2023 (3 Marks)

QUESTION THREE

The following balances were extracted from the books of DBEK Manufacturing enterprises on 30 April 2023 on:

	Ksh
Sales	9,890,400
Purchases of raw materials	4,372,000
Carriage inwards	58,000
Carriage outwards	83,840
Stocks, 1 May 2022:	
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 2023:
   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 30 April 2023 (4 marks)
b) Prepare an income statement for the year ended 30 April 2023 (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 2023:

		Ksh
Issued Share capital: Ordinary	550,000	
8% Preference	400,000	
Gross Profit	102,000	
Profit 1 January 2023	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 Dec 2023 (6 Marks)

(b) Prepare the statement of financial position for the year ended 31 Dec 2023 (4Marks)

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 2022.

	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 1/1/2022	12,600	
Operating expenses	52,890	
Rent Received		8,100
Fixtures & Fittings at cost	44,200	

Additional information:

i. Stock as at 31/12/2022 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 2022 (7 Marks)
(b) Prepare the partners' current accounts for the year ended 31 December 2022 (3 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)