PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

JANUARY –APRIL 2021

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: BIT 102/BCM 107/BUA 3213

COURSE TITLE: FINANCIAL ACCOUNTING II

EXAM DATE:

TIME:

INSTRUCTIONS

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

Question One (compulsory) (10 marks)

a) Giving relevant examples discuss the following:

i.	Prime cost	(2 marks)
ii.	Overheads	(2 marks)

b) Differentiate between company accounts and partnership accounts. (6 marks)

Question Two (10 marks)

ABC LTD

TRIALBALANCEAS AT 31ST DECEMBER 2019

	Dr	Cr
Stock of raw materials 1.1.2009	21,000	
Stock of finished goods 1.1.2009	38,900	
Work in progress 1.1.2009	13,500	
Wages(direct kshs.180,000: factory indirect kshs.145,000)	325,000	
Royalties	7,000	
Carriage inwards (on raw materials)	3,500	
Purchases of raw materials	370,000	
Productive machinery (cost Kshs. 280,000)	230,000	
Accounting machinery (cost Kshs. 20,000)	12,000	
General factory expenses	31,000	
Lighting and factory power (ksh.13,700)	21,200	
Administrative salaries and sales rep salaries	74,000	
Commission on sales	11,500	
Rent and Insurance (insurance kshs.4,200)	16,200	
General administration expenses	13,400	
Bank charges	2,300	
Discounts allowed	4,800	
Carriage outwards	5,900	
Sales		1,000,000
Debtors and creditors	142,300	125,000
Bank and cash	58,300	
Drawings	20,000	
Capital as at 1.1.2009		29,680
	1,421,800	1,421,800

Notes at 31.12.2019

1. Stock of raw materials Kshs. 24,000, stock of finished goods Kshs. 40,000, work in progress Kshs. 15,000.
2. Lighting, and rent and insurance are to be apportioned: factory 5/6ths, administration 1/6th.
3. Depreciation on productive and accounting machinery at 10 per cent per annum on cost.

Required:

Prepare a manufacturing, Trading Profit and Loss Account for the year ended 31 December

2019.

Question Three **(10 marks)**

A and B own a grocery shop. Their first financial year ended on 31 December 2002. The following balances were taken from the books on that date:

Capital:	A- Shs. 60,000;	B - Shs 48,000.
Partnership salaries:	A - Shs 9,000;	B - Shs 6,000.
Drawings:	A - Shs 12,000;	B - Shs 13,400.

The firm's net profit for the year was Shs 32,840.
Interest on capital is to be allowed at 10% per year.
Profits and losses are to be shared equally.

From the information above prepare the firm's

i. appropriation account (5 marks)
ii. the partners' current accounts. (5 marks)

Question Four **(10 marks)**

a. Explain any **three** distinguishing features between a receipts and payments account and an income and expenditure account when preparing accounts for Non-profit making organisations. (6 marks)
b. Explain **two** reasons that lead to incomplete records. (4 marks)

Question Five **(10 marks)**

Describe how the following are treated in company accounts:

a. Director's salaries (2marks)
b. Audit fees (2 marks)
c. Dividends (2 marks)
d. Corporation tax (2 marks)
e. Capital reserves (2 marks)

Question Six **(10 marks)**

a. Discuss **two** ways a sole trader can raise funds to expand his business. (4 marks)
b. Explain **three** reasons for incomplete records. (6 marks)