

**PAN AFRICA CHRISTIAN UNIVERSITY**

**SCHOOL OF LEADERSHIP, BUSINESS & TECHNOLOGY**

**END OF SEMESTER EXAMINATION FOR THE DEGREE OF**

**BACHELOR OF COMMERCE**

**BACHELOR OF BUSINESS LEADERSHIP**

**SEPTEMBER-DECEMBER 2019**

**CAMPUS: VALLEY ROAD**

**DEPARTMENT: BUSINESS STUDIES**

**COURSE CODE: BUA3213|BCM107**

**COURSE TITLE: FINANCIAL ACCOUNTING II**

**EXAM DATE: TUESDAY 3RD DECEMBER 2019**

**DURATION: 2 HOURS**

**TIME: 5:30PM-7:30PM**

**INSTRUCTIONS**

* Read the instructions and questions carefully before you write the answers.
* Write your **STUDENT NUMBER** in the Answer Booklet given
* *Write clearly and legibly.*
* This exam script consists of **Six (6)** questions.
* Answer question **ONE** and ANY other **three** Questions.
* *ALL PAC University’s examination rules and regulations apply*

**QUESTION ONE: COMPULSORY**

1. Outline three uses of control accounts (3 Marks)
2. Differentiate between Memorandum of association and Articles of association (4 Marks)
3. Mike and George are in a partnership sharing profits and loss in the ratio of 3:2

Their partnership agreement provides for the following.

* Interest to be allowed on capital at a rate of 10% per annum
* Interest to be charged on drawings at the rate of 5% per annum
* Mike and George are entitled to an annual salary of 18Million and 12 Million respectively.
* Mike guaranteed George that George’s total income from the partnership will not be less than 23 Million per annum.

The partnership trial balance as at 20th September 2018 was as follows.

 DR CR

Building at cost 200,000,000

Equipment at cost 100,000,000

**Accumulated depreciation:**

Buildings 10,000,000

Equipment 20,000,000

**Capital accounts:**

Mike 200,000,000

George 100,000,000

**Current accounts:**

Mike 8,200,000

George 2,800,000

Gross profit 390,000,000

Discount received 10,000,000

Debtors and creditors 36,000,000 21,000,000

Provisions for doubtful debts 1,700,000

**Drawings:**

Mike 40,000,000

George 20,000,000

Staff salaries 100,000,000

Sales and distribution costs 90,700,000

Discount allowed 12,000,000

Office expenses 60,000,000

Insurance and rates 42,000,000

Bad debts 8,000,000

Inventory (30th September 2018) 38,000,000

Bank balance 16,000,000

Cash in hand 1,000,000

 **763,700,000** **763,700,000**

**Additional information**

1. Provision for doubtful debts is increased by shs. 100,000 on 30th September 2018.
2. As at 30th September 2018 prepaid insurance amounted to shs. 2,000,000 while sales and distribution costs accrued amounted to shs. 300,000.
3. Depreciation is provided for as follows:
* Building 5% on cost
* Equipment 20% on cost

**Required**

1. Income and appropriation statement for the year ended 30th September 2018 (10 Marks)
2. Partner’s current account (4 Marks)
3. Statement of financial position (9 Marks)

**QUESTION TWO**

The following trial balance was extracted from the books of Mzalendo Limited Company as at 31st December 2018.

 **DR CR**

Trade receivables and Trade payables 4,500,000 3,960,000

General reserves - 3,800,000

Gross profit for the period 9,500,000

Inventories (31st December 2018) 3,200,000 -

Ordinary share capital 7,000,000

10% preference share capital - 2,000,000

Bad debts written off 120,000

Salaries and wages 2,940,000

Furniture and fittings (at cost 7,000,000) 5,600,000

Land at cost 13, 695,000

Retained earnings (1st January 2018) - 2,100,000

Directors fees 900,000

Cash balances 150,000

12% Debentures - 3,000,000

Discount allowed and Discount received 170,000 85,000

Allowances for doubtful debts - 400,000

Debenture interest paid 300,000

Rent income - 800,000

Interim Preference dividend paid 180,000

Interim Ordinary dividend paid 130,000

Corporate tax paid 410,000

Prepaid directors fees 150,000

Accrued rental income 200,000

 **32,645,000 32,645,000**

**Additional information:**

1. Provisions as at 31st December 2018 are made as follows:
* Audit fees Shs. 360,000
* Outstanding debenture interest.
1. Included in the salaries and wages is an amount of Shs. 140,000 relating to January 2019.
2. Allowances for doubtful debts are to be made at 10% of trade receivables.
3. Furniture and fitting are to be depreciated at 10% of the net book value.
4. The directors have recommended the following:
* Shs. 700,000 to be transferred to general reserve.
* Outstanding preference dividend and a 5% ordinary dividends be paid as final dividend

**Required**

Income statement for the year ended on 31st December 2018. (10 Marks)

**QUESTION THREE**

The following balances were extracted from the books of Jembe Ltd for the month of April 2018.

**Balances as at 1st April 2018:**

Sales ledger

Debit 420,000,000

Credit 1,484,000

Purchases ledger

 Debit 1,708,000

 Credit 240,100,000

**Transactions for the month:**

Dishonored cheques from credit customers 13,230,000

Cash receipts from credit customers 205,170,000

Refunds to customers for overpayments 1,470,000

Contra entry settlements 87,850,000

Discount received 45,780,000

Payments to creditors by cheque 996,520,000

Receipts from customers by cheque 830,235,000

Allowances from suppliers 16,912,000

Credit purchases 1,085,098,000

Cash purchases 74,270,000

Credit sales 1,318,100,000

Cash sales 107,108,000

**Balances as at 30th September 2018:**

Sales ledger (credit) 2,205,000

Purchases ledger (debit) 770,000

**Required**

1. Sales ledger control account for the month ended 30th April 2018 (5 Marks)
2. Purchases ledger control account for the month ended 30th April 2018 (5 Marks)

**QUESTION FOUR**

The following have been extracted from the books of Matunda Manufactures, a small scale manufacturing enterprise as at 31st December 2012

Inventory as at 1st January 2012:

Raw materials 7,000,000

Work-in-progress 5,000,000

Finished goods 6,900,000

Purchases of raw materials 38,000,000

Direct labour 28,000,000

Factory overheads:

 Variable 16,000,000

Fixed 9,000,000

Administrative expenses:

 Rent and rates 19,000,000

Lighting 6,000,000

Stationery and postage 2,000,000

Staff salaries 19,380,000

Sales 192,000,000

Plant and Machinery at cost 30,000,000

Provision for depreciation on plant and machinery 12,000,000

Motor vehicle (for sales delivery) at cost 16,000,000

Provision for depreciation for motor vehicles 4,000,000

 Trade creditors 5,500,000

Trade debtors 28,000,000

Drawings 11,500,000

Balance at bank 16,600,000

Provision for unrealized profit 1st January 2012 1,380,000

Motor vehicle running cost 4,500,000

**Addition information:**

1. Inventory at 31st December 2012 were as follows:

Raw Materials 9,000,000

Work-in-progress 8,000,000

Finished goods 10,350,000

1. The factory output is transferred to the trading account at factory cost plus 25% of factory profit.
2. Depreciation is provided as

Plant and machinery 10% per annum on cost

Motor vehicle 25% per annum on cost

1. Amounts accrued at 31st December 2012 for direct labour amounted to shs 3,000,000 and rent and rates prepaid at 31st December 2012 amounted to Shs. 2,000,000

**Required**

1. Manufacturing account for the year ended 31st December 2012 (5 Marks)
2. Income statement for the year ended 31st December 2012. (5 marks)

**QUESTION FIVE**

A, B & C have been in partnership sharing profit in the ratio of 3:2:2. On 31st December 2014 they decided to admit D into the partnership on payment of capital of shs. 5,000,000.

The statement for the financial position on that date was as follows.

 **SHS**

Land and buildings 10,000,000

Motor vehicles 5,000,000

Furniture 4,000,000

 19,000,000

**CURRENT ASSETS**

Inventory 3,000,000

Account receivable 2,000,000

Cash and Bank 1,000,000

 6,000,000

**CURRENT LIABILITY**

Account payable 2,000,000

Accruals 1,000,000 (3,000,000) 3,000,000

 **22,000,000**

**FINANCE BY:**

Capital account:

A 7,000,000

 B 5,000,000

 C 3,000,000

Current accounts:

 A 3,000,000

 B 2,000,000

 C 2,000,000

 **22,000,000**

**Additional information**

1. For the purpose of admission the assets were revalued as follows:

Goodwill 900,000

Land and building 12,000,000

Motor vehicles 4,000,000

Inventory 3,500,000

Accounts receivable 1,500,000

1. The partnership does not wish to retain goodwill in its account.
2. The new profit sharing ratio 3:1:1:1 to A, B, C and D respectively.

**Required**

1. Partner’s capital account (4 Marks)
2. Partner statement of financial position (6 Marks)

**QUESTION SIX**

1. Explain three factors that would lead to the formation of a Partnership business. (6 Marks)
2. Outline the contents in the memorandum of association (4 Marks)