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**PAN AFRICA CHRISTIAN UNIVERSITY**

**BACHELORS OF COMMERCE**

**END OF TERM EXAMINATION**

**DEPARTMENT: BUSINESS**

**COURSE CODE: BIT107|BCM107**

**COURSE TITLE: FINANCIAL ACCOUNTING II**

**ROYSAMBU CAMPUS - EVENING**

**EXAM DATE: WEDNESDAY; 7TH DECEMBER 2016**

**TIME: 5.30PM – 8.00PM**

**INSTRUCTIONS**

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

**QUESTION ONE**

1. Discuss the reason behind reporting dividends and corporate tax as current liabilities

(2 Marks)

1. Explain the difference between double entry and single entry systems of accounting

(4 Marks)

1. Discuss two reasons as to why some businesses use the single entry system of accounting.

(6 Marks)

1. Distinguish between a debtor’s ledger control account and a creditor’s ledger control account (4 Marks)
2. Explain the reasons behind charging:
3. Interest on capital in partnership accounts (4 Marks)
4. Interest on drawing in partnership accounts (4 Marks)
5. Discuss the purpose of a partner’s current account (4 Marks)
6. Distinguish between authorized share capital and issued share capital (4 Marks)
7. Explain the difference between the preference shareholders and the ordinary shareholders (4 Marks)
8. Explain the term unrealized profits (2 Marks)
9. Explain a reason as to why the trading, profit and loss account of a manufacturer does not have purchases (2 Marks)

**QUESTION TWO**

John Risdon is a self - employed motor engineer. He maintains a cash book to record his business receipts and payments. The following is a summary of the cash book for year ended 31 December 2005.

BANK ACCOUNT SUMMARY

KshKsh

Drawings 14 100

Bal b/d 1 500 Purchases 17 300

Cash Sales 4 000 Van running expenses 4 100

Trade Debtors 39 300 Wages 5 100

Administrative Expenses 250

General expenses 950

Assets and liabilities at 31 December 2004 and 2005 were:

2004 2005

Ksh Ksh

Motor Van 7 500 5 000

Stock 1 350 1 450

Trade Debtors 3 400 3 750

Trade Creditors 1 250 1 450

Insurance Prepaid 160 170

Additional information:

Motor vehicle is subject to 25% depreciation on cost.

Required:

1. A trading, Profit & Loss Account for the year ended 31 December 2005 (7 Marks)
2. A balance sheet as at 31 December 2005. (8 Marks)

**QUESTION THREE**

The following balances have been extracted from the books of BIDCO Company Ltd as at 30 June 2003.

Ksh

Stocks at 1 July 2002:

Raw materials 6 500

Work in progress 7 900

Finished goods 18 430

Labour:

Direct 144 290

Indirect 54 600

Electricity and power 13 000

General factory expenses 27 000

Maintenance expenses 17 540

General office expenses 28 950

Purchases of raw materials 124 000

Sales 565 000

Depreciation of plant and machinery 9 000

Provision for unrealized profit 4500

Additional information

1. At 30 June 2003 stocks were as follows:

Ksh

Raw materials 4980

Work-In- Progress 6950

Finished goods 21 500

1. Electricity and power and Maintenance expenses are to be apportioned 80% to the factory and 20% to the company's offices.
2. At 30 June 2003 an electricity bill of Ksh800 remained unpaid and maintenance costs paid in advance amounted to Ksh760.
3. The company always transfers finished goods from the factory to the warehouse at factory cost plus 25%.

Required:

1. A manufacturing account for the year ended 30 June 2003 (7 Marks)
2. Trading, Profit & Loss Account for the year ended 30 June 2003 (8 Marks)

**QUESTION FOUR**

1. Explain various causes of depreciation (5 Marks)
2. A car has a cost of Ksh 25,000 and a Sh 5,000 salvage. Its working life is 4 years. Calculate its depreciation using the following methods:
3. A straight-line method (3 Marks)
4. Reducing balance method (7 Marks)

**QUESTION FIVE**

ARITI and BAHATI are partners sharing profits in the proportion of 3:2. The undermentioned trial balance was extracted from their books on December 31, 2000.

Trial Balance as on December 31, 2000

Ksh Ksh

Ariti’s Capital 70,000

Bahati’s Capital 45,000

Ariti’s Drawings 4,000

Bahati’s Drawings 3,000

Plant and Machinery 40,000

Office Furniture 5,000

Purchases 85,000

Sales 160,000

Sundry Debtors 40,500

Sundry Creditors 14,510

Returns Inwards and Outwards 1,500 2,500

Rent 3,750

Postage and Telegrams 500

Advertising Expenses 1, 800

Opening stock 11,500

Cash in hand 16,000

Wages 14,000

Telephone Charges 500

Salaries to staff 12,250

Printing and Stationery 750

Commission 5,000

Travelling Expenses 2,000

Carriage Inwards 5,800

Motor Van 20,860

Bills payable 8,900

Total 290,910 290,910

Additional information:

1. The value of stock on December 31, 2000 was Ksh 12,500.
2. Depreciation: Ksh 250 from office furniture; 10% on plant and machinery and 20% on motor van.
3. Create a provision of 5% on the sundry debtors for bad debts.
4. Partners are entitled to interest on capital @ 5% p.a. and Ariti is entitled to a salary of Ksh. 1,800 p.a.

Required:

1. A Partnership Trading, Profit & Loss Account for the year December 31, 2000 (8 Marks)
2. A Partnership Current Account as at December 31, 2000. 7 Marks)

**QUESTION SIX**

Shoebox Ltd., is a shoe manufacturer with an authorized share capital of Ksh 2,400,000, comprised of 8,000,000 ordinary shares of 25 cent each and Ksh 400,000 of 8% preference shares of Ksh1 each.

Ksh Ksh

Ordinary share capital 1,200

8% preference share capital 200

Retained profits at 1 January 2009 138

10% debentures 248

Land at cost 200

Land accumulated depreciation 60

Premises at cost 1140

Premises accumulated depreciation 80

Plant and machinery at cost 580

Plant and machinery accumulated depreciation 180

Motor vehicles at cost 120

Motor vehicles accumulated depreciation 40

Inventory at 31 December 2009 290

Bank balance 260

Trade receivables 492

Provision for doubtful debts at 31 December 2009 16

Trade payables 90

Corporation tax owing 86

Accrued expenses 84

Retained profit for the year ended 31 December 2009 140

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2,822 2,822

Additional Information

(1) The above trial balance has been arrived at after charging depreciation for the year.

(2) A final ordinary dividend of Ksh 0.025 per share has been approved by the shareholders. The dividend should be provided for in the year end accounts.

(3) Prepaid expenses valued at Ksh 24,000 were incorrectly included in operating costs.

(4) Full year debenture interest to be provided for.

Required:

1. A Trading, Profit, & Loss Account for the year ended 31 December 2009 (8 Marks)
2. A Balance sheet as at 31 December 2009 (7 Marks)