



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

**BACHELOR OF COMMERCE HONOURS DEGREE IN
ACCOUNTING**

**ADVANCED FINANCIAL ACCOUNTING
HACC 425**

PART 4 SEMESTER 1 EXAMINATION

TOTAL MARKS [100]

DATE: DECEMBER 2024

Time: 3 Hours

INSTRUCTIONS

1. This paper has *six (6)* questions
2. Answer question *one (1)* and *any* other *three (3)*
3. Each question carries *25 marks*
4. Start each question on a new page

Question 1

Explain the following items as they relate to financial Accounting:

- (a) Share Premium. (5 marks)
- (b) Winding Up of the Company. (5 marks)
- (c) Work in Progress. (5 marks)
- (d) Inventory Stock Turnover Ratio. (5 marks)
- (e) Absorption. (5 marks)

Question 2

Samanyanga & Company, is a registered corporation with an authorized capital of \$1 000 000 divided into 100 000 shares of \$10 each. On 31st December 2022, 50 000 shares were fully called and paid up. The following are the balances taken, from the ledger of the company at 31st December, 2022:

Particulars	\$000	Particulars	\$000
Stock	100	Printing and stationery	4.8
Sales	850	Advertising	7.6
Purchases	600	Postage and telephone	21
Wages	140	Debtors	77.4
Discount allowed	8.4	Creditors	70.4
Discount received	6.3	Plant and Machinery	161
Inventory 30/6/23	13.44	Furniture	34
Salaries	37	Cash at Bank	279.6
Rent	12	General reserve	50
General reserve	17.9	Loan from MD	31.4

Profit and Loss CR	12.44	Bad debts	6.4
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Additional Information

1. Closing stock \$200 000
2. Depreciation to be charge on plant and machinery 15% p.a and furniture at the rate of 10% p.a.
3. Outstanding expenses: Wages 10 400, Salaries \$2 400 and Rent \$1 200.
4. Dividend at 5% on paid up share capital to be provided.

Required: Prepare the Trading and Profit and Loss account for the year ended 31st December 2022 and also a Balance Sheet as at that time. (25 marks)

Question 3

Particulars	2021 (\$000)	2022 (\$000)
Cash in hand	16	30
Marketable securities	20	10
Debentures	45	55
Inventories	60	75
Prepaid expenses	1.5	2.5
Intangible assets	25	22.5
Other assets	5	6
Total	252.5	286
Current Liabilities	60	100

From the above data calculate for both years 2021 & 2022:

- (a) The working capital (5 marks)
- (b) The current ratio (5 marks)
- (c) The acid test ratio (5 marks)
- (d) The ratio of current assets to total assets. (5 marks)
- (e) The ratio of cash to current liabilities. (5 marks)

Question 4

The contract ledger of a company indicates the under mentioned expenditures on the account of Contract "A" to 31st October 2023.

Materials	\$240 000
Plant	\$40 000
Wages	\$128 000
Establishments expenses	\$12 000

The contract began in November 2022; the contract price being \$800 000. Cash received on account to date. \$480 000 which is 80% of the work certified; and the remainder is to be paid as to 10% on the completion and the balance six months after completion. The material on hand was valued at \$20 000 and work not certified at \$20 000.

Required: Prepare a contract account showing the profit to date after depreciating plant by 10%. How much profit would the company be justified in crediting to the profit and loss account. Show also the work-in-progress would appear on the Balance Sheet. (25 marks)

Question 5

Following particulars have been extracted from the Balance Sheet of Basera Industries Ltd. as on 31 December 2022:

Liabilities and Capital Amount

Authorized capital: (200,000 ordinary shares of \$10 each)

Paid-up capital: (100,000 ordinary shares of \$10 each)

Reserve Fund \$300 000

Un-appropriated profit \$120 000

Long-term loans \$400 000

Paid up capital 100 000 shares of \$10 each

The directors of the company made the following recommendations which were approved by the shareholder in the annual general meeting.

The long-term loan of \$400 000 converted into shares capital by the issue of ordinary shares of \$ 10 each at par and bonus shares are to be issued at the rate of 15% on ordinary shares out of the reserve and un-appropriated profit in equal proportion.

Required: Make the journal entries necessary to carry out above resolutions and how they affect the statement of financial position as at 31st December 2022. (25 marks)

Question 6

What journal entries would be made in the books of Pangai Corporation in the following cases: Also, prepare a balance sheet for each.

- (a) A company issued \$500 000 6% debenture at par redeemable at par.
- (b) A company issued \$500 000 6% debenture at 10% discount redeemable at par.
- (c) A company issued \$500 000 5% debenture at 5% premium redeemable at par.
- (d) A company issued \$500 000 6% debenture at par redeemable at 10% premium.
- (e) A company issued \$500 000 6% debenture at 10% discount redeemable at 5% premium.

(25 marks)

END OF PAPER