



**TECHNICAL UNIVERSITY OF MOMBASA**  
***School of Business***

DEPARTMENT OF ACCOUNTING & FINANCE

DIPLOMA IN ACCOUNTANCY

**BAC 2213: ADVANCED ACCOUNTING II**

SPECIAL/SUPPLEMENTARY EXAMINATIONS

**SERIES:** JUNE/JULY 2015

**TIME:** 2 HOURS

**INSTRUCTIONS:**

- This paper consists of **FIVE** questions.
- Answer question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

***This paper consists of Five printed pages.***

## QUESTION 1 (Compulsory)

a) The following balancesheets belong to S Ltd and P Ltd

### P Balancesheet as at 31<sup>st</sup> December 2014

Investment in subsidiary:6,000 shares bought 31.12.2013		9,700
Fixed assets		9,000
Stock		3,100
Debtors		4,900
Bank		<u>1,100</u>
		<b><u>27,800</u></b>
Share capital		
Profit & loss account		
As at 31.12.2013	6,500	
Less loss for 2014	<u>(2,500)</u>	4,000
Creditors		<u>3,800</u>
		<b><u>27,800</u></b>

### S. Balancesheet as at 31<sup>st</sup> December 2014

Fixed assets		5,200
Debtors		7,200
Bank		3,800
		<u>1,400</u>
Share capital		<b><u>17,600</u></b>
Profit and loss account		10,000
As at 31.12.2013	3,500	
Profit for 2014	<u>2,000</u>	5,500
Creditors		<u>2,100</u>
		<b><u>17,600</u></b>

At the balancesheet S owes P 600.

During the year, p sold goods which had cost sh. 300 for sh. 500 to S. Three quarters of these goods had been sold by the balancesheet as at 31<sup>st</sup> December 2014

**(20 marks)**

b) Define the following terms:

- i) Goodwill **(2 marks)**
- ii) Parent company **(2 marks)**
- iii) Consolidated financial statements. **(2 marks)**
- iv) Minority interest **(2 marks)**
- v) Subsidiary company **(2 marks)**

## QUESTION 2

Write short explanatory notes on the following

- a) Committee of ways and means. (10 marks)  
b) Public Accounts Committee (10 marks)

## QUESTION 3

The following trail balance belongs to Boganza Ltd as at 31<sup>st</sup> Sept. 2007.

	Sh. '000'	Sh. '000'
Administrative expenses	400	
Called up share capital (1,200,000 @ sh. 1		1,200
Cash at bank and in hand	60	
Corporation tax (overpayment for the year to 30 <sup>th</sup> Sept. 2006)		20
Deferred tax (at 1 Oct. 2006)		460
Distribution costs	600	
Dividends received (on 31 <sup>st</sup> March 2007)		249
Extra ordinary items		1,500
Freehold property: At cost	2,700	
Accumulated depreciation		260
Interim dividends (paid on June 2007)	36	
Investment in other companies	2,000	
Plant and machinery: At cost	5,200	
Accumulated depr. (at 1 <sup>st</sup> Oct. 2006)		3,600
Profit and loss Ac (at 1 <sup>st</sup> Oct. 2006)		2,022
Purchases	16,000	
Research expenditure	75	
Stock (at 1 <sup>st</sup> Oct. 2006)	2,300	
Tax on extra-ordinary item		360
Trade creditors		2,900
Trade debtors	2,700	
Turnover	_____	19,500
	<b><u>32,071</u></b>	<b><u>32,071</u></b>

Additional information

1. The stock at 30<sup>th</sup> September 2007 was valued at sh. 3,600,000
2. Depreciation for the year to 30<sup>th</sup> September 2007 is to be charged on the historic cost of fixed assets as follows:  
Freehold property 5%  
Plant and machinery 15%
3. The directors proposed a final dividend of 60 cents per share.
4. Corporation tax is estimated at sh. 850,000
5. Transfer sh. 40,000 to deferred tax account.

**Required**

- a) Profit and loss account for the year ending 30<sup>th</sup> September 2007. **(10 marks)**
- b) Balancesheet as at 30<sup>th</sup> September 2007 **(10 marks)**

**QUESTION 4**

Define the following terms in respect to taxation

- a) Tax expenses **(4 marks)**
- b) Current tax **(4 marks)**
- c) Deferred tax liabilities **(4 marks)**
- d) Deferred tax asset **(4 marks)**
- e) Temporary difference **(4 marks)**

## QUESTION 5

P Ltd acquires 60% of the shares in S Ltd. Balancesheets are then drafted immediately.

### P Balancesheet

Investment on S Ltd.: 1,200 shares	1,500
Fixed assets	900
Stock	800
Debtors	600
Bank	<u>200</u>
	<b><u>4,000</u></b>
Share capital	<b><u>4,000</u></b>

### S. Balancesheet

Fixed assets	1,100
Stock	500
Debtors	300
Bank	<u>100</u>
	<b><u>2,000</u></b>
Share capital	<b><u>2,000</u></b>

### Required:

Draw up the consolidated balancesheet for the group.

**(20 marks)**