



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN ACCOUNTANCY

BAC 2213: ADVANCED ACCOUNTING II

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 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 belongs to P Ltd. And S Ltd.

P Balancesheet as at 31st December 2009

Investment in subsidiary: 1,000 shares bought 31.12.2008		2,800
Fixed assets		1,100
Stock		1,200
Debtors		2,100
Bank		<u>200</u>
		<u>7,400</u>

Share capital		2,000
Profit and loss account		
As at 31.12.2008	1,500	
Profit for 2009	<u>2,200</u>	3,700
General reserve		800
Creditors		<u>900</u>
		<u>7,400</u>

S Balancesheet as at 31st December 2009

Fixed assets		1,200
Stock		900
Debtors		1,400
Bank		<u>300</u>
		<u>3,800</u>
Share capital		1,000
Profit and loss account		
As at 31.12.2008	950	
Profit for 2009	<u>1,150</u>	2,100
Creditors		<u>700</u>
		<u>3,800</u>

During the year P had sold goods which had cost sh. 150 to S for sh. 240. None of these goods had been sold by the balancesheet date. At the balance sheet date, P owes S sh. 220.

Required: Draw up a consolidated balancesheet. (20 marks)

b) Explain the following terms:

- i) Purchase consideration (2 marks)
- ii) Post-acquisition profit (2 marks)
- iii) Minority interest (2 marks)

- iv) Pre-acquisition profit
- v) Subsidiary company.

(2 marks)
(2 marks)

QUESTION 2

The following Trial balance belongs to Woo Ltd as at 31st December 2014.

	Dr.	Cr.
Ordinary share capital		1,000,000
Share premium		120,000
General reserve		48,000
Profit and loss account as at 31 st Dec. 2013		139,350
Stock 31 st Dec. 2013	336,720	
Sales		4,715,370
Purchases	2,475,910	
Return outwards		121,220
Return inwards	136,200	
Carriage inwards	6,340	
Carriage outwards	43,790	
Warehouse wages	410,240	
Sales people's salaries	305,110	
Administrative wages & salaries	277,190	
Plant and machinery	610,000	
Motor vehicle hire	84,770	
Provision for depreciation: plant & machinery		216,290
General distribution expenses	27,130	
General administrative expenses	47,990	
Director's remuneration	195,140	
Rent receivable		37,150
Trade debtors	1,623,570	
Cash at hand & in bank	179,250	
Trade creditors		304,570
Bills of exchange payable		<u>57,000</u>
	<u>6,759,350</u>	<u>6,759,350</u>

Additional information

1. Stock at 31.12.2014 is 412,780.
2. Plant and machinery is apportioned: distributive 69% and administrative 40%.
3. Accrue auditor's remuneration sh. 71,000.
4. Depreciate plant and machinery 20% on cost
5. Of the motor hire, sh. 55,000 is for distributive purpose
6. Corporation tax is estimated at 238,500 and is payable on 1.10.2015.
7. There is a proposed ordinary dividend of 37.5%.

Required:

Draw up the

- a) Published income statement. **(10 marks)**
- b) Published balance sheet. **(10 marks)**

QUESTION 3

The government has many committees that oversee how the state is run.

- a) Explain in details the committee of ways and means. **(10 marks)**
- b) Explain the Public Accounts Committee of the government. **(10 marks)**

QUESTION 4

- a) Define the following terms in relation to taxation:
 - i) Deductible temporary differences. **(2 marks)**
 - ii) Taxable temporary differences. **(2 marks)**
 - iii) Current tax **(2 marks)**
 - iv) Deferred tax asset **(2 marks)**
 - v) Deferred tax liability **(2 marks)**

- b) On 1.1.2011, ABC Ltd bought a certain machinery at a cost of 5 million. It depreciates it on a straightline basis over a period of 5 years. For tax purposes, equipment is depreciated at 25% straightline per annum on the qualifying tax base. Tax losses may be carried back against taxable profits of the previous five years. In the year 2000, the enterprises taxable profit was 2,500,000. Profit in subsequent years are expected to average the year 2000 profit. The corporation tax rate is 30%.

Required:

Show the deferred tax impact for year 2001 to 2005.

(10 marks)

QUESTION 5

The following balancesheets belong to P & S Ltd.

P Balancesheet

Investment in S. Ltd: 60,000 shares	
Fixed assets	60,000
Stock	28,000
Debtors	6,000
Bank	5,000
	<u>1,000</u>
	<u>100,000</u>

S. Balancesheet

Fixed assets	34,000
Stock	21,000
Debtors	3,000
Bank	<u>2,000</u>
	<u>60,000</u>
Share capital	<u>60,000</u>

Required:

Draw the group balancesheet.

(20 marks)