



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN ACCOUNTANCY

BAC 2206: SPECIALIZED ACCOUNTING

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 Four printed pages.

QUESTION 1 (Compulsory)

Majani and Mizizi are partnership sharing profits and losses in the ratio 2:3 respectively. Their Trial balance as at 31st March was as follows:

Majani and Mizizi Partnership Trial Balance as at 31st March 2007

	Dr.	Cr.
	Sh.	Sh.
Capital accounts: Majani		160,000
Mizizi		190,000
Current Accounts: Majani	20,000	
Mizizi		16,000
Drawings: Majani	15,000	
Mizizi	18,000	
Purchases and sales	235,000	392,000
Stock of goods	30,000	
Fixtures and fittings	150,000	
Motor vehicle	310,000	
Provision for depreciation: Motor vehicle		70,000
Fixtures and Fittings		40,000
General expenses	28,000	
Salaries	19,000	
Debtors and creditors	26,400	25,000
Bank	<u>41,600</u>	
	<u>893,000</u>	<u>893,000</u>

Additional information:

- i) Depreciation is to be provided on fixtures and fittings at 15% on cost on motor vehicle at 20% on reducing balance method.
- ii) Included in general expenses is prepaid insurance of sh. 8,000.
- iii) Closing stock was valued at sh. 25,000
- iv) Included in salaries is sh. 2,600 paid to Mizizi
- v) Majani is to receive a commission of 10% of net profit
- vi) 5% interest is to be charged on drawings.
- vii) Mizizi is to receive an annual salary of sh. 6,000

Required:

- a) Trading, profit and loss appropriation account for the year ending 31st March 2007. **(13 marks)**
- b) Partner's current accounts. **(7 marks)**
- c) Balance sheet as at 31st March 2007. **(10 marks)**

QUESTION 2

ABC Ltd of Mombasa sent 1,000 cases of medicines to XYZ Ltd of Dare-es-Salam at sh. 1,000 per case. Expenses on the consignment incurred by consignor amounted to sh. 30,000. XYZ Ltd were working as Del credere agents. Their ordinary commission was 5% and Del Credere agents. Their ordinary commission was 5% and Del credere commission 7 ½ %. XYZ Ltd paid by cheque sh. 200,000 as an advance to ABC Ltd immediately on receipt of the consignment.

After six months, an “account sales” was received by ABC Ltd giving the following information:

- i) Sales proceeds of 750 cases sh. 1,200,000
- ii) Stock of unsold goods in hand 250 cases
- iii) Commission changed at agreed ratios of 5% and 7 ½ % Del credere
- iv) Consignees expenses amount to sh. 50,000
- v) A bill of exchange was sent by XYZ Ltd for the amount due to ABC Ltd along with the account sales. This bill was discounted immediately by ABC Ltd for sh. 780,000.

Prepare:

- a) Consignment account. **(9 marks)**
- b) Bills receivable account **(3 marks)**
- c) Goods sent on consignment account. **(2 marks)**
- d) Consignee’s account. **(6 marks)**

QUESTION 3

- a) A and B were partners in a joint venture sharing profits and losses in the ratio 4:1 respectively. A suppliers goods to the value of sh. 5,000 and incures expenses amounting to sh. 400. B suppliers goods to the value of sh. 4,000 and his expenses amount to sh. 300. B sells goods on behalf of the joint venture and realizes sh. 12,000. B is entitled to a commission of 5% on sales. B settles his accounts by bank draft.

Prepare:

- i) Joint venture account as it would appear in the books of A. **(4 marks)**
 - ii) Joint venture account as it would appear in the books of B. **(6 marks)**
 - iii) Memorandum joint venture. **(7 marks)**
- b) Briefly explain the **THREE** methods of writing off hire purchase interest charges. **(3 marks)**

QUESTION 4

Wajenzi Ltd secured a contract for the construction of a mini-mall. The total contract cost was sh. 2,712,500. The following additional information is given:

	Shs.
Materials issued to the site	456,000
Labour: Paid	305,000
Accrued	24,000
Plant purchased	225,000
Expenses: Paid	100,000
Outstanding at end	25,000
Prepaid	22,500
Plant returned to store	75,000
Materials at site	30,000
Work certified	1,275,000
Cost of work not certified	40,000
Cash received	1,000,000

Required:

- a) Contract account. **(12 marks)**
- b) Contractee account **(4 marks)**
- c) Balance sheet extract. **(4 marks)**

QUESTION 5

Lota Motors sold a motor vehicle to Judas on 1st July 2007 under hire purchase system on the following terms:

	Sh.
Hire purchase price	400,000
Cash price	352,000
Deposit (down payment)	80,000

16 monthly installments sh. 20,000 each payable on the last day of every month. Judas failed to pay the instalment due on 31st Mary 2007 and he was unable to proceed with the contract. Lota Motors repossessed the motor vehicle which was valued at sh. 130,000. Given the company's financial year ends 31st December each year.

Required:

- a) Sales account **(2 marks)**
- b) Hire purchase interest suspense account **(6 marks)**
- c) Hire purchase debtors account **(8 marks)**
- d) Repossessions account. **(4 marks)**