



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN ACCOUNTANCY
(YII, SII)

BAC 2213: ADVANCED FINANCIAL ACCOUNTING II

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: FEBRUARY 2015

TIME: 2 HOURS

INSTRUCTIONS:

- This paper consists of **FIVE** questions.
- Answer question **ONE (Compulsory)** and any other **TWO** questions.

This paper consists of Five printed pages.

QUESTION 1 (Compulsory)

The following summarized information relates to the Pagg group of companies

Balance Sheet at 31st March 20 x 0

	Pagg PLC	Ragg Ltd	Tagg Ltd
	£ 000	£ 000	£000
Tangible fixed assets at net book value	<u>2,000</u>	<u>900</u>	<u>600</u>
Investments			
800,000 ordinary shares in Ragg Ltd	3,000	-	-
300,000 ordinary shares in Tagg Ltd	<u>1,000</u>	=	=
	<u>4,000</u>	=	=
Current assets			
Stocks	1,300	350	100
Debtors	3,000	200	300
Cash	<u>200</u>	<u>20</u>	<u>50</u>
	<u>4,500</u>	<u>570</u>	<u>450</u>
Current liabilities			
Creditors	<u>(4,000)</u>	<u>(270)</u>	<u>(400)</u>
	<u>6,500</u>	<u>1,200</u>	<u>650</u>
Capital reserves			
Called-up share capital (all ordinary shares of £ 1 each)	5,500	1,000	500
Profit and loss account	<u>1,000</u>	<u>200</u>	<u>150</u>
	<u>6,500</u>	<u>1,200</u>	<u>650</u>

Additional information:

1. Pagg acquired its shareholding in Ragg Ltd on 1st April 20 x 5. Ragg's profit and loss account balance at the time was £600,000.
2. The shares in Tagg Ltd were on 1st April 20 x 9 when Tagg's profit and loss account balance was £100,000.
3. All goodwill arising on consolidation is amortised in equal amounts over a period of 20 years commencing from the date of acquisition of each subsidiary company.
4. At 31st March 20 x 0, Ragg had in stock goods purchased from Tagg at cost plus 20 per cent minority interests are not charged with any intercompany profit.
5. Intercompany debts at 31st March 20 x 0 were as follows: Pagg owed Ragg £ 200,000 and Ragg owed Tagg £35,000.

Required:

In so far as the information permits, prepare the Pagg group of companies consolidated balance sheet as at 31st March 20 x 0 in accordance with the Companies Acts and standard accounting practice

Note: Format notes to the accounts are NOT required, although detailed working must be submitted with your answer. (30 marks)

QUESTION 2

Write short notes on the following parliamentary committees.

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

QUESTION 3

- a) Explain the financial accounting techniques used by governmental organizations. (10 marks)
- b) Discuss the types of funds maintained by the central government. (10 marks)

QUESTION 4

- a) Explain the following terms:
 - i) Pre-acquisition retained earnings. (2 marks)
 - ii) Post-acquisition retained earnings. (2 marks)
 - iii) Cost of control (2 marks)
 - iv) Minority interest (2 marks)
 - v) Subsidiary company (2 marks)
- b) P Ltd bought 100% of the shares of S Ltd on 31st December 2004.

The following are the balancesheets of the two companies

P Balancesheet as at 31st December 2005

	Sh.	Sh.
Investment in subsidiary		19
10 shares bought 31.12.2004		10
Stock		<u>4</u>
Bank		<u>33</u>
		20
Share capital		
Profit and loss		
As at 31.12.2004	7	
Add profit for 2005	<u>6</u>	<u>13</u>
		<u>33</u>

S Balancesheet as at 31st December 2005

	Sh.	Sh.
Stock		9
Bank		<u>2</u>
		<u>11</u>
		<u>10</u>
Share capital		
Profit and loss		
As at 31.12.2004	4	
Less loss for 2005	<u>(3)</u>	<u>1</u>
		<u>11</u>

Required:

Calculate the goodwill and draw the consolidated balancesheet for the company.

(10 marks)

QUESTION 5

The following balances belong to Rodgers Ltd

	Shs.
Profit and loss account as at 31 st December 2011	15,300
Stock 1 st Jan. 2012	57,500
Purchases	164,000
Sales	288,000
Returns inwards	11,500
Returns outwards	2,000
Carriage inwards	1,300
Wages and salaries	8,400
Rent and rates	6,250
General distribution expenses	4,860
General administrative expenses	3,320
Discounts allowed	3,940
Bad debts	570
Debenture interest	2,400
Motor expenses	7,200
Interest received on bank deposit	770
Income on shares in undertakings (investments)	660
Motor vehicles at cost: Administrative	14,000
Distribution	26,000
Equipment at cost: Administration	5,500
Distribution	3,500
Royalties receivable	1,800

Additional information

- a) Stock as at 31st December 2012 was sh. 64,000.
- b) Wages and salaries are to be apportioned: Distribution costs $\frac{1}{3}$, administrative cost $\frac{2}{3}$.
- c) Rent and rates are to be apportioned: Distribution cost 60%, administrative expenses 40%.
- d) Apportion motor expenses equally between distribution costs and administrative expenses.
- e) Depreciate motor vehicles 25% and equipment 20% on cost.
- f) Accrue auditors remuneration of 500.
- g) Accrue corporation tax for the year on ordinary activity profits 30,700.
- h) A sum of 8,000 is to be transferred to general reserve.
- i) An ordinary dividend of 30,000 is to be proposed

Required:

Draw up a profit and loss accounts for publication.

(20 marks)