

**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Business and Social Studies***  
**DEPARTMENT OF ACCOUNTING AND FINANCE**

**DIPLOMA IN ACCOUNTANCY**

**BAC 2206: SPECIALIZED ACCOUNTING**

**END OF SEMESTER EXAMINATIONS**

**SERIES: DECEMBER SERIES**

**TIME: 2 HOURS**

**INSTRUCTIONS TO CANDIDATES:**

- This paper consists of **FIVE** Questions.
- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do **NOT** Write on the question paper.
- You are only allowed to have writing materials, an Answer booklet and a scientific non programmable calculator in the examination room.
- Mobile phones are not allowed in the examination room.
- Cheating lead to disqualification.
- This paper consists of Four printed pages***

## QUESTION ONE

- a. Sacajo Construction Company Ltd won the contract for construction of a multi story building at a cost of **Sh. 200M**. The data relating to the contract for the year 31<sup>st</sup> December 2007 were as given under:

	<b>Sh. '000'</b>
Materials issued to the site	80,000
Materials purchased locally	15,700
Direct wages -Paid	5,800
-Accrued	350
Plant purchased and installed	48,800
Direct expenditure -Paid	1,780
-Accrued	70
Established charges	180
Materials returned to the store	850
Work Certified	150,000
Cost of work not certified	3,800
Materials on site at 31 <sup>st</sup> December 2007	5,330
Value of Plant as at 31 <sup>st</sup> December 2007	41,500

Sacajo Construction Company received from the client payment amounting to **Sh. 126M**

### Required:

- i. Prepare Contract Account **(15 marks)**
- ii. Prepare the Contractee Account **(5 marks)**
- iii. Show the balance sheet extract as at 31<sup>st</sup> December 2007 **(5 marks)**

- b. State the method recommended for accounting for contracts as given by IAS 11- *Construction Contracts* giving one advantage and one disadvantage of each

**(5 marks)**

## QUESTION TWO

- a. State the contents of a partnership deed **(5 marks)**
- b. A and B are partners sharing profits and losses in the ratio 3:2 respectively. During the year ended 31<sup>st</sup> December 2013 the net trading profit was Sh. 15,500 and the partners drawings were as follows:

A Sh. 3,000

B Sh. 2,500

Interest is charged on the partner's capital at the rate of 5% p.a. No interest is charged on drawings. B is entitled to a salary of Sh. 1,500 p.a. The balance on the partner's accounts (all credit balances) at 1<sup>st</sup> January 2013 were:

	Capital A/C	Current A/C
	Sh.	Sh.
A	20,000	1,570
B	15,000	890

### Required:

- i. Prepare Partners Appropriation of Profit and Loss for the period **(5 marks)**
- ii. Partners Current Account **(10 marks)**

## QUESTION THREE

On 1<sup>st</sup> September 2013, James of Nairobi consigned to David of London 50 bales of merchandise. The merchandise cost James Sh. 30,000, carriage to port paid by him was Sh. 3,000. David paid freight charges of Sh. 20 per bale, dock due and landing charges of Sh. 500 and marine insurance Sh. 700. Brokerage fee was at 2% while commission was charged at 2<sup>1</sup>/<sub>2</sub>%.

On 31<sup>st</sup> December 2013, David completed the sale and realized Sh. 40,000. He settled the net proceeds by a bill at three months which was duly met on maturity.

### Required:

- i. Consignment Account **(10 marks)**
- ii. Consignee Account **(10 marks)**

#### QUESTION FOUR

- a. What do you understand by the term "Hire Purchase?" Explain. (5 marks)
- b. State and explain any two methods of writing off hire purchase interest (5 marks)
- c. Express Ltd bought £60,000 10% loan stock of Old Mutual Ltd on 1<sup>st</sup> June 2010 at 90 ex interest. Interest is payable half yearly on 30<sup>th</sup> June and 31<sup>st</sup> December.

**Required:**

Show the entries in the books of Express Ltd for the year ended 31<sup>st</sup> December 2010

(10 marks)

#### QUESTION FIVE

- a. State the circumstances under which royalty may arise (4 marks)
- b. Define the following terms as used in Royalty Accounts
- i. Minimum rent (2 marks)
  - ii. Short workings (2 marks)
  - iii. Sub-lease (2marks)
- c. Mary and Joyce were partners in a joint venture sharing profits and losses in the ratio 3:2 respectively. Mary supplied goods to the value of Sh. 50,000 and incurred expenses amounting to Sh. 4,000. Joyce supplied goods to the value of Sh. 40,000 and her expenses were Sh. 3,000. Joyce sold the goods for Sh. 120,000. She settled the accounts by a bank draft.

**Required:**

- i. Prepare a joint venture account as it would appear in the books of Mary and Joyce (5 marks)
- ii. Prepare a memorandum joint venture (5 marks)