

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. Zedco Ltd leased a coal field coal field from Farmco Ltd for a period of five years from 1st January 2009-2013 at a royalty of Sh. 100 per ton of coal raised with a minimum rent of Sh. 500,000 p.a. and a right to recoup short workings over the first three years. The annual output was as follows:

2009- 3000 tons

2010- 5000 tons

2011- 6000 tons

2012- 7000 tons

2013- 6000 tons

Zedco's books are closed on 31st December each year

Required:

Prepare the following accounts for the first three years:

- i. Royalties payable account (10 marks)
 - ii. Landlord's account- Farmco Ltd (10 marks)
 - iii. Short workings account (5 marks)
- b. Explain the following terms as used in Investment Accounts
- i. Bonus Issue (2 1/2 marks)
 - ii. Rights Issue (2 1/2 marks)

QUESTION TWO

Cooper Motors Ltd sold one motor vehicle to John 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

John failed to pay the installment due on 31st May 2008 and he informed Cooper Motors Ltd that he was unable to pay and proceed with the contract. Cooper Motors Ltd subsequently obtained a court order and repossessed the motor vehicle which was valued at Sh. 130,000. Given the company's financial year ends 31st December each year

Required:

- i. Sales account (2 marks)
- ii. Hire Purchase Interest Suspense account (7 marks)
- iii. Hire Purchase Debtors account (John's A/C) (8 marks)
- iv. Repossessions account (3 marks)

QUESTION THREE

- a. Define partnership and describe the contents of a partnership deed (5 marks)

- b. P. Burton and A. White are partners sharing profits and losses in the ratio 3:2 respectively. During the year ended 31st December 2006 the net trading profit was Sh. 15,500 and the partners drawings were as follows:

- A Sh. 3,000
- B Sh. 2,500

A. White is entitled to a salary of Sh. 1,500 p.a. The balance on the partner's accounts (all credit balances) at 1st January 2006 were:

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

Interest is charged on the partner's capital at the rate of 5% p.a. No interest is charged on drawings.

Required:

- i. Partners Appropriation of Profit and Loss for the period (6 marks)
- ii. Partners Current Account (9 marks)

QUESTION FOUR

- a. Define the following terms as used in IAS 11-*Construction Contracts*
- i. Retention (2 marks)
 - ii. Sub contracts (2 marks)
- b. On 1st September 2008, James of Kisumu Consigned to David of Mombasa 50 bales of merchandise. The merchandise cost James Sh. 30,000; carriage to railway paid by him was Sh. 3,000. David paid freight at Sh. 20 per bale, disembarking charges were Sh. 500 and storage insurance Sh. 700. Brokerage was 2% and commission $2\frac{1}{2}\%$.

On 31st September 2008, David completed sales of the whole of this merchandise realizing 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 (6 marks)

QUESTION FIVE

- a. What is consequential loss policy (2 marks)
- b. State the losses that are covered by a consequential loss policy (3 marks)
- c. **P** and **Q** entered into a joint venture and purchased an old house for Sh. 250,000 each contributing half of the money for an agreed fee of Sh. 8,000. **P** is to manage the disposal of property. **P** pays Sh. 5,000 for demolition of the house. The material demolished was sold for Sh. 15,000. **P** incurred expenses amounting to Sh. 3,500. The whole land was eventually sold for Sh. 380,000. The partners share profits and losses equally. **P** paid the amount due from him via cheque.

Required:

- i. Prepare a memorandum joint venture account (7 marks)
- ii. Prepare a joint venture account as it would appear in the books of **P** (4 marks)
- iii. Prepare a joint venture account as it would appear in the books of **Q** (4 marks)