



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Business & Social Studies***  
DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN ACCOUNTING

**BAC 2213: ADVANCED FINANCIAL ACCOUNTING**

END OF SEMESTER EXAMINATIONS

**SERIES: DECEMBER 2014**

**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)

Draw a consolidated balance sheet as at 31<sup>st</sup> December 20 x 4 from the following.

#### P. Balance Sheet as at 31<sup>st</sup> December 20 x 4

	£	£
Investment in subsidiary: 6,000 shares bought 31.12.20 x 3		9,700
Fixed assets		9,000
Stock		3,100
Debtors		4,900
Bank		<u>1,100</u>
		<b><u>27,800</u></b>
		20,000
Share capital		
Profit and loss account	6,500	
As at 31.12.20 x 3	<u>(2,500)</u>	
Less loss for 20 x 4		4,000
Creditors		<u>3,800</u>
		<b><u>27,800</u></b>

#### S. Balance Sheet as at 31<sup>st</sup> December 20 x 4

	£	£
Fixed assets		5,200
Stock		7,200
Debtors		3,800
Bank		<u>1,400</u>
		<b><u>17,600</u></b>
		10,000
Share capital		
Profit and loss account:		
As at 31.12. 20 x 3	3,500	
Profit for 20 x 4	<u>2,000</u>	
		5,500
Creditors		<u>2,100</u>
		<b><u>17,600</u></b>

At the balance sheet date S. owes P £600.

During the year P sold goods which had a cost £300 to S for £500. Three quarters of these goods had been sold by S by the balance sheet date. **(30 marks)**

## QUESTION 2

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

## QUESTION 3

Write short notes on the following parliamentary committees.

- a) Committee of ways and means. **(10 marks)**
- b) Public Accounts Committee. **(10 marks)**

## QUESTION 4

P Ltd owns 80% of shares in S. Ltd. Profit and loss account of the companies for the year to 30<sup>th</sup> December 2012 are as follows:

		P Ltd		S Ltd	
	Sh. '000'	Sh. '000'	Sh. '000'	Sh. '000'	Sh. '000'
Turnover		640		330	
Cost of sales		<u>(410)</u>		<u>(200)</u>	
Gross profit		230		130	
Distribution costs					
Administrative expenses	35		20		
Profit on operating activities	<u>70</u>	<u>(105)</u>	55	<u>(75)</u>	
Dividends receivable		125		55	
Profits on ordinary activities before tax		<u>28</u>		=	
Tax on profit on ordinary activities		153		55	
Profit after tax		<u>(26)</u>		<u>(10)</u>	
Retained earnings bal. b/d		127		45	
		<u>29</u>		<u>35</u>	
		156		80	
Proposed dividend	60		35		
Transfer to reserves	<u>22</u>		<u>10</u>		
		<u>(82)</u>		<u>(45)</u>	
Retained profits bal. c/d		<u>74</u>		<u>35</u>	

### Additional information

1. S Ltd had sold goods costing 20,000 to P. Ltd for 30,000.
2. At the balance sheet date, 30% of the goods sold by S to P had not been sold by P. Ltd.
3. Of the sh. 35,000 retained profits of S. Ltd brought forward, sh. 15,000 is post-acquisition profits.

### Required:

Draw up the consolidated profit and loss account showing all your workings.

**(20 marks)**

### QUESTION 5

The following balances belong to Federal Ltd as at 31<sup>st</sup> December 2014

	<b>Sh. '000'</b>
Stock 1 <sup>st</sup> January 2014	64,500
Sales	849,000
Purchases	510,600
Carriage inwards	4,900
Return inwards	5,800
Return outwards	3,300
Discount allowed	5,780
Discount received	6,800
Wages	11,350
Salaries and wages – sales & distribution	29,110
Salaries and wages – administrative staff	20,920
Motor expenses	15,600
Rent and rates	25,000
Investment	80,000
Income from investment	3,500
General distribution expenses	8,220
General administrative expenses	2,190
Bad debts	840
Interest from government securities	1,600
Haulage costs: distribution	2,070
Debenture: interest payable	3,800
Profit and loss account: 31 <sup>st</sup> Dec. 2003	37,470
Motor vehicles at cost : Distribution	75,000
Administrative	35,000
Plant and machinery at cost: Distribution	80,000
Administrative	50,000
Production	15,000
Directors remuneration	5,000

Additional information

1. The production department puts goods into saleable condition.
2. Stock at 31<sup>st</sup> December 2014 sh. 82,800
3. Apportion motor expenses: Distribution  $\frac{2}{3}$ , administration  $\frac{1}{3}$
4. Apportion rent and rates: Distribution 80% administration 20%
5. Write of sh. 14,000 value of investment.
6. Depreciate motor vehicles at 20% on cost, plant and machinery 10% on cost.
7. Accrue auditor's remuneration 2,000.
8. Accrue corporation tax on ordinary activity profit 74,000.
9. A sum of sh. 20,000 is to be transferred to debenture redemption reserve
10. An ordinary dividend of 50,000 is to be proposed.

**Required:**

Draw the published profit and loss account for the company.

**(20 marks)**