TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

DIPLOMA IN ACCOUNTANCY

BAC 2213: ADVANCED ACCOUNTING 2

END OF SEMESTER EXAMINATIONS

SERIES: APRIL/MAY 2016

TIME: 2 HOURS

INSTRUCTIONS:

-This paper consists of Sections **A** and **B.**
-Section **A** is Compulsory. Answer any **TWO** questions in Section **B**.
-Mobile phones are not allowed into examination room.
-Cheating leads to disqualification.
-This paper consists of Six printed pages.

Question One

The following accounts shows the summarized profit and loss accounts and balance sheets of Hasanga ltd and its subsidiary Sansend ltd for year ended 31st October 2007.

	Hasanga ltd	Sandsend ltd
	Kshs 000’	kshs 000’
Turn over	6300	3600
Cost of sales	(4000)	(1900)
Gross profit	2300	17000
Operating cost	700	(350)
	1600	1350
Dividends from S ltd	150	___
Interest payable	_____	(550)
Profit before tax	1750	800
Taxation	(580)	(225)
Profit after tax	1170	575
Dividends paid	(400)	(200)
Retained profits	770	375

Balance sheets

	Hasanga ltd	**Sandsend ltd**
	Ksh. 000’	**kshs. 000’**
Tangible fixed assets	4300	5700
Investments in Sandsend ltd	2000	_____
	6300	5700
Current assets		
Stocks	700	550
Debtors	650	300
Cash	200	25
Less current liabilities due		
Within one year	(450)	(300)
	1100	575

Total assets less current liabilities	7400	6275
Less liabilities falling due after		
One year:	____	(5000)
10% debentures	7400	1275
Capital and reserves		
Called up capital	1000	500
Share premium	1500	100
Profit and loss a/c	4900	675

The following additional information is available

1. Hasanga ltd acquires 75% of the issued share capital of sandsend ltd on 1st November 2006 for shs 2million. There has been no change in the share capital of either company since then.
2. During the year to 31 October 2007 Sandsend sold its stock to Hasanga ltd for kshs 450000; these items had cost sandsend of kshs 225000.
3. Goodwill impairment as at the end of period is kshs 132,500.

Required:

a) Prepare a consolidated income statement for the period ending 31 October 2007 (15 mks)

b) Prepare a consolidated balancesheet as at 31 October 2007 (15 mks)

Question Two

a)

Pop and Mom Balance Sheet as at 31 December 2007

	£	£
Investment in subsidiary: 55,000 shares bought 31.12.2006		55,000
Fixed assets	22,000	124,000
	29,000	179,000
Stock	8,000	
Debtors	59,000	
Bank	(6,000)	
		53,000
Less: Creditors		232,000
		175,000

Share capital

Profit and loss:

As at 31.12.2006	84,000	
Less Loss for 2007	(27,000)	57,000
		232,000

Sonny Balance Sheet as at 31 December 2007

	£	£
Fixed assets		89,000
Stock	27,000	
Debtors	38,000	
Bank	2,000	
	67,000	
Less: Creditors	(3,000)	64,000
		153,000
Share capital		90,000
Profit and loss:		
As at 31.12.2006	36,000	
Y Profit for 2007	27,000	
		63,000
		153,000

At the balance sheet date, Sonny owes Pop and Mom £1,600.

During the year Pop and Mom sold goods which had cost £3,000 to Sonny for £4,800. Three-quarters of these goods had been sold by Sonny by the balance sheet date.

Required: Draw up a consolidated balance sheet as at 31 December 2007 (10 mks)

b) Explain the following terms in group accounts

i) Purchase consideration (2 mks)

ii) Controlling interest (2 mks)

iii) Goodwill (2 mks)

iv) Minority interest (2 mks)

v) Subsidiary (2 mks)

Question Three

On 1/1/2001 XYZ Ltd bought equipment at a cost of kshs 5000000 and depreciates it on a straight line basis over 5 years. For tax purposes equipment's is depreciated at 25% straight line per annum on the qualify tax base. Tax losses may be carried against taxable profits of the previous five years. In the year 2000, the enterprises taxable profit was 2,500,000. Profits in subsequent years are expected to average the year 2000 profit. The cooperation tax rate is 30%.

Show the deferred tax impacts for year 2001 to 2005. (20 mks)

Question Four

a) Explain five types of funds maintained by the government (10 mks)

b) Explain the composition and functions of the parliamentary accounts committee (10 mks)

Question Five

Parents for Siblings Balance Sheet as at 31 March 2003

	£	£
Investment in subsidiaries:		
Sibling A 50,000 shares bought 31.3.2002		65,000
Sibling B 45,000 shares bought 31.3.2003		58,000
		123,000
Fixed assets		82,000
Stock	31,000	
Debtors	14,000	
Bank	7,000	
	52,000	
Less Creditors	(11,000)	
		41,000
		246,000
Share capital		175,000
Profit and loss		
As at 31.3.2002	36,000	
Add Profit for 2003	15,000	
		51,000
General reserve		20,000
		246,000

Son 1 Balance Sheet as at 31 March 2003

	£	£
Fixed assets		39,000
Stock	18,000	
Debtors	9,000	
Bank	2,000	
	29,000	
Less Creditors	(4 000)	
		25,000
		64,000

Share capital		50,000
Profit and loss:		
As at 31.3.2002	17,000	
‘ Less Loss for 2003	(12,000)	
		5,000
General reserve (as at 31 .3.2002)		9,000
		64,000

Son 2 Balance Sheet as at 31 December 2003

	£	£
Fixed assets		80,000
Stock	24,000	
Debtors	26,000	
Bank	13,000	
	63,000	
Creditors	(8,000)	55,000
		135,000
Share capital		100,000
Profit and loss:		
As at 31.12.2002	27,000	
Less Loss for 2003	(4,000)	
		23,000
General reserve (as at 31.12.2004)		12,000
		135,000

At the balance sheet date, Son 1 owed Pa and Mum £2,500 and Son 2 £1,100, and Pa and Mum owed Son 2 £2,100.

Pa and Mum had sold goods which had cost £1,406 to Son 2 for £2,100, and of these goods one-half had been sold by Son 2 by the year end.

Required: Prepare a consolidated balance sheet from the following details as at 31 March 2003. (20 mks)