



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

DIPLOMA

BAC2206: SPECIALIZED ACCOUNTS

END OF SEMESTER EXAMINATION

SERIES: AUGUST 2019

TIME: 2 HOURS

DATE: Pick Date Aug 2019

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

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

Do not write on the question paper.

Question ONE

TUM was acquiring two cars under hire purchase agreements, details of which are as follows.

Registration number	KCB 201	KCB 204
Date of purchase	31 May 1, 2015	31 October 2015
Cash price	Kshs.18,000	Kshs.24,000
Deposit	Kshs.3,120	Kshs.4,800
Interest (deemed to accrue evenly over the period of the agreement)	Kshs.1920	Kshs.2400

Both agreements provided for payment to be made in twenty-four monthly installments commencing on the last day of the month following purchase.

On 1 September 2016, vehicle KCB 201 became a total loss. In full settlement on 20 September 2016:

- (i) An insurance company paid Kshs.12,500 under a comprehensive policy, and

- (ii) The hire purchase company accepted Kshs.6,000 for the termination of the agreement.
- (iii) The firm prepared accounts annually to 31 December and provided depreciation on a straight line basis at a rate of 20 per cent per annum for motor vehicles, apportioned as from the date of purchase and up to the date of disposal
- (iv) All instalments were paid on the due dates. The balance on the Hire Purchase Company Account in respect of vehicle KCB 201 is to be written off.

REQUIRED:

To record these transactions in the following accounts, carrying down the balances as on 31 December 2015, and 31 December 2016:

- a) Motor Vehicles,
- b) Depreciation, and
- c) Hire Purchase Company,
- d) Assets Disposal.

(30marks)

Question TWO

Keke and Bebe entered into a joint venture to acquire surplus and rejected crockery from manufacturers and to sell it at a series of one-day markets. They agreed to share joint venture profits and losses, Keke 3/5, Bebe 2/5. At the outset, Keke sent Bebe a cheque for kshs.20, 000 to provide him with funds for his participation in the venture.

They managed to sell all the goods they had brought by 31 January 2019 by which date their cash transactions had been

	Keke	Bebe
	<i>kshs</i>	<i>kshs</i>
Sales	32,000	21,000
Travelling expenses	3270	4630
Advertising	1030	910
Stall rents/market tolls	850	700
Wages of casual helpers	480	-
Sundry expenses	590	290
Purchases	16,000	11,000

Settlement between the co-venturers then took place by cheque.

Required:

- a) Memorandum Joint Venture account.
- b) Joint Venture with Bebe account in Keke's ledger
- c) Joint Venture with Keke account in Bebe's ledger.

(20marks)

Question THREE

On 31 March 2015 the investments held by Mandarin Ltd included 6,000 Ordinary shares of ksh.1 each fully paid in Lamuni Ltd, such shares appearing in the books at kshs.7,200. It is not the practice of Mandarin Ltd to make apportionments of dividends received or receivable. ,

Mandarin Ltd sold 1,000 shares on 31 May 2015 for kshs.1, 965. On 20 September 2015 Lamuni Ltd:

(a) Issued by way of a bonus issue three fully paid shares for every five held on 31 August 2015.

(b) It gave the right to shareholders to apply for one share for every two actually held on 31 August 2015, the price to be ksh.1.05 per share payable in full on application.

The shares issued under (a) and (b) were not to participate in the dividend for the year ended 31 August 2015.

The bonus shares were received. For the rights issue 1,800 shares were taken up and paid for on 30 September 2015. The rights on the remaining shares were sold for ksh.0.3 per share, the money for this being received on 15 November 2015. .

On 17 December 2015 Lamuni Ltd, declared and paid a final dividend of 20 % for the year ended 31 August 2015, and on 15 March 2016 an interim dividend of 5 % for the year ended 31 August 2016.

REQUIRED

Show the investment account for the year ended 31 March 2016 as it would appear in the books of Mandarin Ltd **(20 Marks)**

Question FOUR

J Horner is the proprietor of a shop selling paintings and ornaments. For the purposes of his financial statements he wishes the business to be divided into two departments:

Department A Paintings

Department B Ornaments

The following balances have been extracted from his nominal ledger at 31 August 2017:

	<i>Dr</i> kshs	<i>Cr</i> kshs
Sales Department A		75,000
Sales Department B		50,000
Stocks Department A, 1 September 2016	1,250	
Stocks Department B, 1 September 2016	1,000	
Purchases Department A	51,000	
Purchases Department B	38,020	
Wages of sales assistants Department A	7,200	
Wages of sales assistants Department B	6,800	
Picture framing costs	300	
General office salaries	13,200	
Fire insurance – buildings	360	
Lighting and heating	620	
Repairs to premises	175	
General office expenses	510	
Internal telephone	30	
Cleaning	180	
Accountancy charges	1,490	

Stocks at 31 August 2017 were valued at:

Department A Kshs1,410

Department B Kshs 912

The proportion of the total floor area occupied by each department was:

Department A two-fifths

Department B three-fifths

Apportion the costs, where necessary, to show the Department profit or loss. The apportionment should be made by using the methods as shown:

Area – Fire insurance, Lighting and heating, Repairs, Telephone, Cleaning;

Turnover – General office salaries, Accountancy, General office expenses.

Required

Prepare J Horner's trading and profit and loss account for the year ended 31 August 2017. **(20marks)**

Question FIVE

- a) Explain what is meant by the term 'joint venture'
- b) Explain why separate joint venture accounts are kept by each of the parties to a joint venture
- c) Explain what a partnership is and how it differs from a joint venture

(20marks)