



TECHNICAL UNIVERSITY OF MOMBASA

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SCHOOL OF BUSINESS  
DEPARTMENT OF ACCOUNTING & FINANCE  
**UNIVERSITY EXAMINATION FOR:**  
DIPLOMA IN ACCOUNTANCY  
BAC2215: ADVANCE ACCOUNTING 2  
END OF SEMESTER EXAMINATION  
**SERIES:AUGUST2019**  
**TIME:2HOURS**  
**DATE:Pick DateAug2019**

**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.**

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**Question ONE**

The following is the Mwajuma Ltd and Sawa Ltd balance sheet as at 31 December 2014:

	<b>Mwajuma Ltd</b>		<b>Sawa Ltd</b>	
	kshs	kshs	kshs	kshs
Investment in subsidiary: 6000 shares bought 31/12/2013		9700		
Fixed Assets		9,000		5200
Stock		3100		7200
Debtors		4,900		3800
Bank		1,100		1400
		<b><u>27,800</u></b>		<b><u>17600</u></b>
Share capital		20,000		10000
Profit and loss:				
As at 31/12/2014	6,500		3500	
Loss for 2015	<u>2,500</u>	4,000	2000	<u>5500</u>
Creditors		3,800		2100
		<b><u>27,800</u></b>		<b><u>17,600</u></b>

**Additional information:**

1. At the balance sheet date Sawa owes Mwajuma shs.600.
2. During the year Mwajuma Ltd sold goods which shs 300 to Sawa for shs 500. Three-quarters of these goods had been sold by Sawa by the balance sheet date.

**Required**

Draw up a consolidated balance sheet as at 31 December 2014 for Mwajuma Ltd and show all the workings.

**(30 marks)**

**Question TWO**

The summarized balance sheets of Ali Ltd and Ben Ltd at 31 December 2018 are as follows:

	Ali Ltd	Ben Ltd
	kshs	kshs
Fixed assets at book value	60,000	46,000
Investment in Ben Ltd	75,000	
Current assets		
Stocks	32,000	13,000
Debtors	27,000	17,000
Bank	1,000	2,000
	<b><u>195,000</u></b>	<b><u>78,000</u></b>
<b>Financed by:</b>		
Share capital ( sh 1 ordinary shares)	100,000	50,000
Retained profits	<u>70,000</u>	<u>12,000</u>
	170,000	62,000
Liabilities	<u>25,000</u>	<u>16,000</u>
	<b><u>195,000</u></b>	<b><u>78,000</u></b>

A Ltd purchased the entire share capital of Ben Ltd on 31 December 2018. The fixed assets of Ben Ltd are considered to possess a fair value of 54,000 but there are no material differences between the book values and fair values of the remaining assets.

**Required**

Calculate the goodwill arising on consolidation using;

- a) The net assets approach and
- b) The shareholders equity approach.

**(20 Marks)**

**Question THREE**

At the end of the financial year all companies are required to prepare final accounts. It is mandatory that these final accounts are distributed to the shareholders of the company in a manner that they can be able to read and understand. Explain the mandatory disclosures that the company must show in the statements?

**(20 Marks)**

#### Question FOUR

Delvi construction company got the contract for the construction of a highway road at a cost of shs.400,000,000. The company had received from the client, payment amounting to Shs 252,000,000.

The information relating to the contract for the year ended 31<sup>st</sup> December 2018 were as follows:

	Shs'000'
Materials issued to the site	160,000
Materials purchased locally	31,400
<b>Direct wages :</b>	
paid	11,600
accrued	700
Plant purchased and installed	97,600
<b>Direct expenditure</b>	
Paid	3,560
Accrued	140
Establishment charges	360
Materials returned to store	1700
Work certified	300,000
Cost of work not certified	7,600
Materials on site on 31 December	10,660
Value of plant on 31 December	83,000

#### Required

- Contract account
- The Balance Sheet extract showing how the various items will appear as at 31 December, 2018.  
**(20 Marks)**

#### Question FIVE

- What are accounting standards?
- Briefly explain possible benefits that could accrue from the development of a single set of accounting standard that could be applied in all countries.  
**(20 Marks)**