



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

DEGREE

BAC4301: ADVANCE ACCOUNTING 1

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

- a) Explain the following terms and the accounting treatment
- Purchases cum-div and ex-div.
 - Sales cum-div and ex-div.

(10 marks)

- b) The following are the transactions of the investments for Fry Ltd

- On 1 April 2013 Fry Ltd purchased 10000 ordinary shares of kshs.1 each in TLS ltd at a cost of 20,500.
- On 1 September, 2013, TLS Ltd, declared and paid a dividend of 15 per on its ordinary share for the year ended 30 June 2013.
- On 1 November 2013 TLS Ltd gave its eight members the right to subscribe for one ordinary share for every eight held on 1 November 2013, at a price of kshs.1.5 per share, payable in full application.
- On 15 November 2013, Fry purchased for kshs0.40per share the rights of another shareholder in TLS ltd to subscribe for 750 shares under the rights issue.
- On 30 November 2013 Fry ltd applied and paid for all the shares in TLS Ltd to which it was then entitled.

- 6) On 8 September 2014, TLS Ltd declared and paid a dividend for the year ended 30 June 2014, of 15% on all ordinary shares, including those issued in 2013.
- 7) On 1 October 2014, Fry Ltd sold 4500 ordinary shares in TLS Ltd for kshs.9875.
- 8) The accounting year of Fry Ltd ends on 31December.

REQUIRED

The Investment account in the books of Fry Ltd for the two years ended 31 December 2013 and 31 December, 2014.

(20marks)

Question TWO

Mlango, who had patented an automatic door closer, granted Doors Ltd a licence for ten years to manufacture and sell the door closer on the following terms:

- (i) Doors Ltd to pay a royalty of Ksh.10 for every closer sold with a minimum payment of Kshs. 5000 per annum. Calculations to be made annually as on 31 December and payment to be made on 31 January.
- (ii) If for any year, the royalties calculated on closers sold amount to less than kshs5000, Doors Ltd may set off the deficiency against royalties payable in excess of that sum in the next two years.

With effect from the end of the second year the agreement was varied and a minimum annual payment of kshs. 4000 was substituted for kshs.5000, the other terms of the annual agreement remaining unchanged.

The numbers of the closers sold were:

Year ended 31 December

2012	200
2013	400
2014	600
2015	500

You are required to show:

- a) The Royalty Account
- b) The Short-working Account
- c) The Landlord Account in the books of Doors Ltd which are closed annually on 31 December.

Question THREE

Rock, Hill and Pine enter into a joint venture for dealing in paintings.
The following transactions took place:

2018

May 1 Rock rented a shop paying 3 months rent kshs21,000.

May 3 Hill bought a van for kshs22,000

May 5 Hill bought paintings for kshs180,000.

May 17 Pine received cash from sale proceeds of paintings kshs314,100.

May 23 Rock bought paintings for kshs3,170,000.

June 9 Van broke down. Pine agreed to use his own van for the job until cessation of the joint venture at an agreed charge of kshs6,000.

June 14 Van bought on May 3 was sold for kshs17,000. Proceeds were kept by Rock.

June 17 Sales of paintings, cash being paid by Hill kshs42,200.

June 25 Lighting bills paid for shop by Pine kshs860.

June 29 Pine bought paintings for kshs17,000.

July 3 General expenses of shop paid for kshs10,900, Pine and Rock paying half each.

July 16 Paintings sold by Pine kshs23,000, proceeds being kept by him.

July 31 Joint venture ended. The paintings still in stock were taken over at an agreed valuation of kshs 62,000 by Hill.

The profit or loss was to be split: Hill one-half; Rock one-third; Pine one-sixth. Any outstanding balances between the parties were settled on 31 July. 2018.

Required:

- a) Show the joint venture accounts in the books of the three parties.
- b) Show the memorandum joint venture account

(20marks)

Question FOUR

At 31 December 2017, the balance sheet of A, B, and C who are equal partners, was as follows:

	kshs	kshs
<i>Fixed assets</i>		
Freehold premises		16,000
Machinery and tools		15,100
Investment, at cost		<u>4,000</u>
		35,100
<i>Current assets</i>		
Stock	16,000	
Debtors	12,800	
Bank	<u>12,100</u>	
	40,900	
<i>Less: Current liabilities</i>		
Creditors	<u>(14,000)</u>	
		<u>26,900</u>
		<u>62,000</u>
<i>Represented by:</i>		
Capital accounts		
A		20,000
B		17,000
C		<u>25,000</u>
		<u>62,000</u>

Additional information:

- a) A retired at that date.
- b) In order to determine the amount due to A the following revaluations were made: Freehold premises Kshs18,000; machinery and tools Kshs16,000; investments Kshs5,100.
- c) The value of the goodwill was agreed at Kshs 8,000.
- d) It was arranged that A should take over the investments in part payment of the amount due to him, the balance to be settled in cash.

- e) B and C would increase their capitals by paying in Kshs10,000 and Kshs 6,000 respectively. These changes were all carried out.

Required:

- (a) Prepare the revaluation account,
- (b) Bank account and
- (c) Capital accounts.
- (d) Prepare the opening balance sheet of B and C

(20marks)

Question FIVE

- a) Explain what a partnership is and how it differs from a joint venture
- b) Describe the main features of a partnership agreement
- c) Explain what happens upon dissolution of a partnership
- d) Explain the differences between recording a partnership dissolution and making the entries when one partner leaves a partnership.

(20marks)