



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

DIPLOMA IN ACCOUNTANCY

BAC 2206: SPECIALIZED ACCOUNTS

END OF SEMESTER EXAMINATION

TIME: 2 HOURS

SERIES: JULY 2022

DATE: Pick Date Nov 2022

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, 2020	31 October 2020
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 2020, vehicle KCB 201 became a total loss. In full settlement on 20 September 2020:

- (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 2020, and 31 December 2021:

- 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

Mlango, who had patented an automatic door closer, granted Doors Ltd a license 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

2016	200
2017	400
2018	600
2019	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.
(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)