



AL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

DIPLOMA IN ACCOUNTANCY

BAC 2207: ADVANCED ACCOUNTING 1

SUPPLEMENTARY/SPEC. EXAMINATION

SERIES: JUNE 2022

TIME: 2 HOURS

DATE: Pick Date Jun 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

Lemon, Mango and Njugu are in partnership sharing profits and losses in the ratio 3:2:1 respectively.

Their balance sheet as at 30th June 2021 is as follows;

		\$
ASSETS	Premises	90000
	Plant	37000
	Vehicles	15000
	Fixtures	2000
	Stock	62379
	Cash	34980
	Debtors	760
	Current account Mango debit balance	<u>2509</u>

	<u>244628</u>
LIABILITIES	\$
Capital Lemon	85000
Mango	65000
Njugu	35000
Current account Lemon	3714
Njugu	4678
Loan Njugu	28000
Creditors	19036
Bank overdraft	<u>4200</u>
	<u>244628</u>

Additional information

Njugu retires on 30 June, 2021 and Waterlemon is admitted as a partner on that date.

Premises were revalued \$120000, Plant \$ 35000, Stock \$ 54179. Provision for doubtful debts \$360 is to be made. Goodwill is to be recorded \$ 4200 the day Njugu retires. The partners in the new firm have agreed to write off Goodwill. Njugu is to take his car at its book value of \$ 3900 in part payment and the balance of all he is owed by the firm in cash except \$ 20000 he is willing to leave as a loan. The new profit sharing ratio is 3:2:1 for Lemon, Mango and Waterlemon respectively. Incoming partner Waterlemon, is to introduce land valued at \$ 50000 as capital.

Required:

- | | | |
|---|--|-----------|
| a | Revaluation account | 7 marks |
| b | Partner's capital and current account combined. | 13 marks |
| c | Balance sheet for Lemon, Mango and Waterlemon as at 30 th June 2021 | 10 marks. |

Question TWO

Fatha, Kasra, and Dhumma are partners who share profits in the ratio 3:2:1. Their balance sheet as at

30 th June is as follows:	\$		\$
Machinery	14000	creditors	17000
Stock	5000	Bank overdraft	13000
Debtors	21000	Capital Fatha	4000

	Capital Kasra	4000
	Dhumma	<u>2000</u>
		<u>40000</u>
<u>40000</u>		<u>40000</u>

Note the following:

Fatahatein, a debtor who owes \$ 18000 is bankrupt and nothing can be recovered from him.

The partners have decided to dissolve the partnership. The cost of dissolution is \$ 600.

Stock will realize \$ 4000; Machinery \$ 8000 except for certain items with a book value of \$ 5000 which will be taken over by Fatha at an agreed value of \$ 7000. The debtors, except Fatahatein, are expected to pay their accounts in full. Dhumma is unable to meet his liability to the partnership out of his personal funds.

Required:

Realization account and Partner's capital account in columnar form. 20 marks

Question THREE

- a Distinguish between bankruptcy and insolvency. 4 marks
- b Priority of debt from the bankrupt. 12 marks
- c Deffered debts in bankruptcy. 4 marks

Question FOUR

- a What are the conditions required for the creation of a Trust? 10 marks
- b What are the duties of a Trustee? 10 marks

Question FIVE

Bwana Filisika commenced business on 1st January 2012 with a capital of \$400000. His profits for three years were \$ 190000. He did not prepare accounts for the next two years. His drawings averaged \$ 40000 per annum. On 31st December 2016 an order of adjudication was made against him when his affairs were as follows:

	\$
Building cost \$ 550000 estimated to realize	400000
Plant and machinery cost \$ 250000 estimated to realize	150000
Book debts Good \$ 40000, Doubtful \$ 30000, estimated to realize \$ 10000 and Bad \$5000	
Bills receivable discounted and expected to rank	50000

Preferential creditors	30000
Creditors partly secured {Security life policy estimated to be worth \$ 80000}	230000
Mortgage on buildings	280000
Unsecured creditors	400000
Household furniture	20000
Household debts	10000
Furniture: cost \$ 100000 estimated to realize	60000
Stock: Cost \$ 160000 estimated to realize	135000
Cash in hand	15000
Required:	
Statement of affairs and a deficiency account	20 marks