TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

DIPLOMA IN ACCOUNTANCY

BAC2215: ADVANCE ACCOUNTING 2

SUPPLEMENTARY/SPEC. EXAMINATION

SERIES : JULY 2022

TIME:2HOURS

DATE: Pick DateJul2022

Instructions to Candidates

You should have the following for this examination

-*Answer Booklet, examination pass and student ID*

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

Do not write on the question paper.

Question ONE

JOGOO acquired 80% at the shareholding of KCC Ltd on 1January, 2011. On that date the share capital of KCC stood at Ksh 2,000,000 while the retained earnings stood at Ksh.1,000,000. The cost of investment was Ksh.3, 000,000. The profit and loss account for the year ended 31 December,2013 were as follows.

	JOGOO Ltd	KCC Ltd
Sales	8,000,000	5,000,000
Cost of sales	(3,500,000)	(2,000,000)
Gross profit	**4,500,000**	**3,000,000**
Expenses	(2,000,000)	(1,000,000)
Profit before tax	**2,500,000**	**2,000,000**
Tax	(1,000,000)	(800,000)
Profit after tax	**1,500,000**	**1,200,000**
Dividends	(700,000)	(600,000)
Retained profits	**800,000**	**600,000**
Retained b / f	3.200,000	2,000,000
Retained c/ f	**4,000,000**	**2,600,000**

Additional Information

a) JOGOO sold goods to KCC worth Ksh.500, 000 at a mark-up of 25%. Out of these, goods worth Ksh. 100,000 remained in the stock of KCC. It is the group policy to write off any unrealised profit against the group and minority in the proportion of their respective ownership.
b) JOGOO does not accrue any dividends receivable from KCC.
c) During the year 2002, JOGOO sold fixed assets to KCC at a price of Ksh.l, 000,000. JOGOO made a profit of 20% on the sale. KCC depreciates fixed assets at 10% on cost.
d) Goodwill was tested for impairment and found to have lost Ksh 120,000 for each of the two years to 31st December 2013.

REQUIRED

a) Calculate the goodwill on acquisition (5 marks)
b) Work out the excess depreciation **(5 marks)**
c) Calculate the dividends of minority interest **(5 marks)**
d) Draw up the consolidated profit and loss account .(**15 marks)**

(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
	195,000	**78,000**
Financed by:		
Share capital (sh 1 ordinary shares)	100,000	50,000
Retained profits	70,000	12,000
	170,000	62,000
Liabilities	25,000	16,000
	195,000	**78,000**

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.

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

The following is the balance sheet as on 31 dec 2015 and the receipt and payment statement from 1 Jan 2016 to 31 Dec 2016 of Mombasa cooperative Society.

Assets	**kshs**	**Liabilities**	**kshs**
Cash in hand	26,300	Share capital:	
Cash at DCC bank	250,000	Members	158,000
Shares in marketing federation	45,000	Government	130,000
Fixed deposit in DCC Bank	47,700	Reserve fund	86,000
Cement security deposit	155,700	Building fund	63,000
Building	630,000	Agriculture stabilization fund	12,000
Furniture	54,000	Staff security deposit	20,000
Members produce loan	2,268,000	DCC bank cash credit loan	2,500,000
Consignment as per contra	900,000	Consignment account	1,000,000
Closing stock	800,000	Value of consignment as per contra	900,000
Arbitration fee from members	10,000	Share suspense	5,000
Stock shortage recoverable	20,200	General suspense	25,000
		Establishment charges outstanding	16,000
		Staff provident Fund deposit	70,000
		Profit for 2015	221,900
	5,206,900		**5,206,900**

Receipts and payments statement for the year 2016			
	kshs		kshs
Opening balance	26,300	Purchase of fertilizers	2,600,000
Sale of fertilisers	3,000,000	Purchase of foodgrains	865,000
Sale of foodgrains	1,140,000	Share suspense	2,700
Staff security deposit	9,000	General suspense	68,000
Staff provident Fund Deposit	27,000	Scooter advance	11,000
Reserve Fund	27,000	Electricity charges	2,700
Building Fund	20,000	Interest on bank cash credit loan	20,000
Agriculture stabilization fund	25,000	Establishment charges	205,000
Members produce loan	900,000	Meeting expenses	9,000
DCC Bank Cash Credit loan	1,800,000	Members produce loan	1,350,000
Share suspense	8,000	Consignment account	1,810,000
General suspense	35,000	Staff security deposit	5,000
Consignment account	1,800,000	Staff provident fund deposit	9,000
Interest on members produce loan	100,000	DCC Bank Current Account	350,000
Stock shortages	10,000	DCC Bank Cash Credit Loan	1,850,000
DCC Bank Current Account	500,000		
Commission on consignment	60,000	Profit for the previous year	221,000
Miscellaneous receipts	18,000	Closing balance	126,000
	9,505,300		**9,505,300**

Taking into account the adjustments given below:

i. Establishment charges due Kshs. 10,000.
ii. Depreciate furniture by 10% and building by 5%

iii. Closing stock was Kshs.150,000
iv. Consignment stock is Kshs. 1,800,000

Required:

a) Prepare a trading and profit and loss account for the year 2016 and
b) Balance Sheet as on 31 dec 2016 .

(20 Marks)

Question FIVE

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