



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  
**SERIES: APRIL 2020**  
**TIME: 2 HOURS**  
**DATE: Pick Date Apr 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**

Sokoko trader commenced business on 1 January, 2021. He sells air-conditioners, all of one standard type, on hire-purchase terms. The total amount, including interest, payable for each air-conditioner is kshs.3,000. Customers are required to pay an initial deposit of kshs.600, followed by eight quarterly instalments of kshs.300 each. The cost of each air-conditioner to Sokoko is Kshs, 2,000.

The following trial balance was extracted from Sokoko trader's books as on 31 December, 2021.

Trial Balance	Dr	Cr
Capital		1,000,000
Fixed Assets	100,000	
Drawings	40,000	
Bank overdraft		196,000
Creditors		166,000
Purchases	1,800,000	
Cash collected from customers		765,000
Bank interest	4,000	
Wages and salaries	128,000	
General expenses	55,000	
	<b>2,127,000</b>	<b>2,127,000</b>

**Additional information:**

850 machines were sold on hire purchase terms during 2021. The annual accounts are prepared on the basis of taking credit for profit (including interest) in proportion to the cash collected from customers.

**Required**

- a) The Hire Purchase Trading, Profit and Loss account for the year ended 31 December, 2021.
- b) The Balance sheet as at 31 December, 2021.

**(30marks)**

**Question TWO**

Riley and Morris entered into a Joint Venture to buy and sell second hand cars. Profit and losses were to be shared, Riley 3/5 and Morris 2/5. It was agreed that each party would record his own transactions only.

On 23 March 2013 Riley purchased 2 cars for kshs.46, 000/= and kshs.60,000/= respectively. He incurred expenditure of kshs.14, 000/= on repairs and on 4 May 2013 sold one of the cars for kshs.67000/= and on 10<sup>th</sup> May 2013 the other car for kshs.75, 000/= paying the proceeds of each into his own bank account.

On 14<sup>th</sup> May 2013 he purchased a further car for kshs.80, 000/= and sold it on 31<sup>st</sup> May 2013 for kshs.78, 000/=, which amount he paid to Morris who paid into his bank account.

On 15<sup>th</sup> March 2013 Morris purchased a car for kshs.35, 000/= on which he incurred expenditure of kshs.8000/= and which he sold on 10<sup>th</sup> April 2013 for kshs.50, 000/=, which he paid into his Bank account. This car was returned by the purchaser on 20<sup>th</sup> April, 2013 and Morris paid his 46000/= profit. As this car was still unsold on 31<sup>st</sup> May 2013 it was agreed that it should be taken over by Morris at a valuation of 45000/=.

Other expenditure incurred by the parties as follows:

	<b>Riley</b>	<b>Morris</b>
Insurance	250	50
Garage	200	100

On 31 May 2013 that sum required in full settlement as between Riley and Morris was paid by the party accountable.

**Required:**

- a) The Joint Venture as it would appear in the books of Morris
- b) The Joint venture account in the books of Riley.
- c) Memorandum Joint Venture account.

**(20marks)**

### Question THREE

The Vectorcon Ltd is insured for consequential loss with Blue Shield Insurance company Ltd. On 1<sup>st</sup> June 2011 a distraught employee set fire to the business premises which damaged a lot of accounting records. However, certain documents which were filed in fire proof cabinets were salvaged and disclosed the following information:

Financial year ends on 31 December with turnover of sh. 300,000

Period of interruption: 1<sup>st</sup> June to 1<sup>st</sup> December.

Period of indemnity: 7 months.

Net Profit shs 18,000 and insured standing charges amounted to shs.36,000.

Uninsured standing charges are sh. 3,000.

Sum assured shs. 54,450.

Turnover in period of interruption sh 33,750

Standard turnover shs. 112,500.

Turnover for the twelve months preceding the fire was shs. 220,000.

Increase of cost of working shs.6,000

Savings in insured standing charges shs. 2,250.

Reduced turnover avoided through increase in cost of working shs.15,000

The special circumstances clause stipulates for:

- i. Increase of turnover ( standard and annual) by 10%
- ii. Increase of rate of gross profit from 18% to 20%.

### Required

To compute the consequential loss claim.

**(20marks)**

### Question FOUR

On 31 March 2015 the investments held by Jogoo Ltd included 6,000 Ordinary shares of ksh.1 each fully paid in ChamanyaLtd, such shares appearing in the books at kshs.7,200. It is not the practice of Jogoo Ltd to make apportionments of dividends received or receivable.

Jogoo Ltd sold 1,000 shares on 31 May 2015 for kshs.1, 965. On 20 September 2015 Chamanya 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 Chamanya 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 Jogoo Ltd.

**(20 Marks)**

**Question FIVE**

- a) Explain the following terms and the accounting treatment
  - i. Purchases cum-div and ex-div.
  - ii. Sales cum-div and ex-div.
- b) Distinguish a credit sale from a high Purchase sale
- c) What is consequential losses?

**(20marks)**