



AL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

DIPLOMA IN ACCOUNTANCY

BAC 2207: ADVANCED ACCOUNTING 1

END OF SEMESTER EXAMINATION

SERIES APRIL 2022

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

Jua Mwezi and Nyota are trading as partners in space innovation. They share profits in the ratio

3:2:1 The balance sheet as at 31st March 2022 is given below:

ASSETS	\$	\$
Telescope	17240	
Cash	1790	
Current account: Nyota	1950	
LIABILITIES:	\$	
Capital account: Jua	9200	
Mwezi	4600	
Nyota	2300	

Current account: Jua	860
Mwezi	520
Creditors	3500

On 1st April 2022 dissolution of partnership is made. Telescope realized \$14400.

The creditors were settled for \$3400. Cost of realization was \$368. Nyota is declared insolvent and only \$42 can be recovered from him.

Required:

- a Realisation account 7 marks
- b Partners capital account in columnar form. Transfer current to capital accounts. 14 marks
- c Cash account 6 marks
- d List three areas where partners must have utmost good faith. 3 marks

Question TWO

Goodwill has asset value because it represents expectation of “above normal” financial performance in the future. Required:

- a Define Goodwill. Give the formula for calculating goodwill when a business is purchased. 4 marks
- b Distinguish between purchased goodwill and non- purchased goodwill. 2 marks
- c List the factors that cause goodwill for a particular business. 10 marks
- d Distinguish between Bankruptcy and Insolvency. 4 marks

Question THREE

The Trust Act gives trustees various powers which they can exercise at their discretion.

- a Outline the duties of Trustees. 10 marks
- b List the conditions required for creation of Trust. 10 marks

Question FOUR

Mr Balaablue has been declared bankrupt. He has the following assets:

	\$	ESTIMATED TO REALISE \$
Building	1500	1130
Sundry assets	2000	1010

His liabilities are:

Loan secured on 1st mortgage on buildings	\$1000
Biashara loan secured on 2nd mortgage on buildings	\$300
Creditors (including Preferential creditors \$200)	\$2000
Capital	\$200

Additional information:

His drawings for the period of 3 years were \$840

His loss for the last 3 years was \$1400

The Capital of Mr Balaablue 3 years ago was \$2500

Gambling losses \$60

Required:	a	Statement of affairs	13 marks
	b	Deficiency account	7 marks

Question FIVE

Trial balance of Juha and Kalulu who share profits & losses equally as at 31st March 2022 is given below:

	DR \$	CR \$
Gross profit		47000
Commission		10000
Operating expenses	4000	
Salaries (including Partner Juha salary \$6000)	26000	
Drawings (Juha \$20000 and Kalulu \$30000)	50000	
Capital (Juha \$50000 and Kalulu \$100000)		150000
Current account Juha	4000	
Current account Kalulu		7000
Non- current assets	90000	
Current assets	40000	_____ /
	<u>214000</u>	<u>214000</u>

Interest on capital is charged at 10% and on drawings 20% per annum. Juha is an active partner.

- Required:**
- a Profit and Loss account 6 marks**
 - b Profit and Loss appropriation account 8 marks**
 - c Partners Current accounts in columnar form 6 marks**