



TECHNICAL UNIVERSITY OF MOMBASA

School of Business

DEPARTMENT OF ACCOUNTING AND FINANCE

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF COMMERCE
BACHELOR OF BUSINESS ADMINISTRATION

BAC 4301: ADVANCED ACCOUNTING 1

MAIN EXAMINATIONS
SERIES: DECEMBER 2024
TIME: 2 HOURS

INSTRUCTIONS:

Answer Question **ONE (Compulsory)** and any other **TWO** questions

Do not Write on this Question Paper

This paper consists of Four printed pages

QUESTION ONE (COMPULSORY)

- a) In the event of absence of a partnership agreement/deed or in the event of ambiguity therein, the provisions of the Partnership Act will apply. Discuss any FIVE such provisions prescribed by the Partnership Act (10 Marks)
- b) David, Eva and Frank have been trading as partners sharing profits and losses in

PARTNERSHIP BALANCE SHEET OF AS AT 31 MARCH 2018

	Kshs		Kshs
Premises	48,000	Capitals: <i>Daudi</i>	32,000
Furniture, etc.	52,48	<i>Eva</i>	16,000
Stock	12,800	<i>Frank</i>	<u>16,000</u>
Debtors	3,392		
		Creditors	4,400
		Bank overdraft	1040
	<u>69,440</u>		<u>69,440</u>
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Additional information:

- (i) Daudi, Eva and Frank share profits and losses in the ratio of 2:1:1 respectively. The partnership is being dissolved as on 31 March 2017.
- (ii) Eva is continuing in business on her own account and it is agreed she shall take over the stock at a valuation of Kshs.14,400, the furniture for Kshs.4,400, and the debtors at Kshs 3,280.

- (iii) Eva also takes over the premises. These are re-valued at kshs.84,000. Eva secures a mortgage of Kshs 64,000 and a cheque for this amount is paid into the partnership banking account. By agreement the amount due to Frank is paid in full, but the balance for Daudi which Eva owes to the partnership is to be treated as a loan from Daudi for the time being, settlement (with agreed interest) to be made within a year.
- (iv) The creditors of the partnership are paid in full.

Required:

Prepare the relevant accounts to record the dissolution (14 Marks)

- c) Describe the accounting treatment for Joint Venture businesses (6 Marks)

QUESTION TWO

- a) ABC Ltd of Mombasa sent 1,000 cases of medicines to XYZ Ltd of Dar-es-Salaam at sh 1,000 per case. Expenses on the consignment incurred by the consignor amounted to sh 30,000. XYZ Ltd were working as del credere agents. Their ordinary commission was 5% and del credere commission 7%. XYZ Ltd paid by cheque sh 200,000 as an advance to ABC Ltd immediately on receipt of the consignment. After six months, an "account sales" was received by ABC Ltd giving the following information: -

- Sale proceeds of 750 cases sh 1,200,000.
- Stock of unsold goods in hand 250 cases
- Commission charged at agreed rates of 5% and 7 % del credere
- Consignee's expenses amount to sh 50,000
- A bill of exchange was sent by XYZ Ltd for the amount due to ABC Ltd. along with the account sales. This bill was discounted immediately by ABC Ltd for sh 780,000.

Required:

Assuming that ABC Ltd have to close their books on the receipt of above account sales, Prepare the necessary accounts to record the above transactions in the books of both ABC and XYZ ltd. (10 Marks)

- a) Describe the accounting treatment of the following investments
- i. Ex int Securities (5 Marks)
 - ii. Cum Div investment (5 Marks)

QUESTION THREE

Bondeni 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 Ksh 30,000. Customers are required to pay an initial deposit of Ksh 6,000, followed by eight quarterly instalments of Ksh 3,000 each. The cost of each air-conditioner to Bondeni is Ksh 20,000.

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

Trial Balance	Dr	Cr
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Capital		10,000,000
Fixed Assets	1,000,000	
Drawings	400,000	
Bank overdraft		1,960,000
Creditors		1,660,000
Purchases	18,000,000	
Cash collected from customers		7,650,000
Bank interest	40,000	
Wages and salaries	1,280,000	
General expenses	550,000	
	21,270,000	21,270,000

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

- The hire purchase trading, profit and loss account for the year ended 31 December, 2021. (12 Marks)
- The Balance sheet as at 31 December, 2021. (8 Marks)

QUESTION FOUR

Madhahabu Ltd leased a coal field from Shamba Ltd for a period of five years from 1st January 2020 on a royalty of Ksh 50 per ton of minerals raised with a minimum rent of Ksh 250,000 p.a. and power to Recoup short-workings during the first three years of the lease. The annual output was as follows: -

Year	2020	2021	2022	2023	2024
Output (Tons)	3,000	5,000	6,000	7,000	6,000

Madhahabu Ltd's books are closed on 31st December each year.

Required

Write up the following accounts for five years in the books of Madhahabu Ltd

- The Royalty accounts (7 Marks)
- Landlord account (Shamba Ltd) (6 Marks)
- The short-workings accounts (7 Marks)

QUESTION FIVE

Mutuse Mwema commenced business on 1st January 2023, at a head office and at one branch. Purchases were made exclusively by head office where all goods were processed before sale and there was no loss or wastage in processing. Only processed goods received from head office were handled by the branch and these were charged thereto at processed cost plus 10%. All sales whether by head office or the branch were at a uniform gross profit of 25% on processed cost.

The following trial balances as on 31st December 2023 were extracted from the books before adjusting any of the matters referred to below: -

	Head office		Branch	
	Ksh	Ksh	Ksh	Ksh
Johnson - Capital		955,000		
Drawings	27,500			
Purchases	984,750			
Cost of Processing	25,250			
Property Plant and Equipment	2,000,000			
Long Term loan		1,200,000		
Sales		640,000		410,000
Goods Sent/ Received by branch		462,000	440,000	
Selling and general expenses	94,500		10,600	
Debtors/ Creditors	154,800	300,700	56,800	5,400
Head office/Branch current accounts	194,900			130,750
Balance at Bank	76,000		38,750	
	3,557,700	3,557,700	546,150	546,150

You ascertain that: -

1. Goods charged by head office to the branch in December, 2020, at Sh 22,000 were not received or recorded by the branch until January, 2024, and a remittance of Sh 42,150 from the branch to head office in December, 2023, was not received or recorded at head office until January 2024. Any necessary adjustments in respect of these items are to be made in the head office accounts.
2. Stock-taking at the branch disclosed a shortage of goods of a selling value of Sh 10,000. There was no shortage or surplus at head office.

For the purpose of the separate trading account of the head office, stocks are to be valued at cost. In the case of the separate accounts of the branch, stocks are to be valued at the price charged by head office. Any necessary adjustments are to be made in the head office profit and loss account.

Required:

Prepare in columnar form for (i) the head office; (ii) the branch, and (iii) the business as a whole:

- a) Income statement for the year ended 31st December, 2023 and (12 Marks)
- b) Balance Sheets as on that date (8 Marks)