



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: APRIL 2025

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) Partnership businesses in Kenya are governed by the Partnership Act, 2012. Explain the key legal requirements for forming a partnership in Kenya (14 Marks)
- b) Anabel, Bakari and Charo have been trading as partners sharing profits and losses in the ratio of 2:2:1 on the 1st July 2022, they decided to dissolve the partnership and all the assets were sold in a single transaction in the market. The balance sheet as at 1s July 2022 was as follows:

**Anabel, Bakari and Charo
Balance Sheet as at 1.7.2022**

	Ksh	Ksh
Non-Current Assets		
Freehold property		700,000
Equipment		<u>100,000</u>
		800,000
Current Assets		
Inventory	320,000	
Account receivables	70,000	
Cash at bank	<u>64,000</u>	
	454,000	
Current Liabilities		
Account payables	<u>(120,000)</u>	
Net current assets		<u>334,000</u>

Net Assets			<u>1,134,000</u>
Financed by:			
Capital accounts	Anabel		640,000
	Bakari		210,000
	Charro		<u>60,000</u>
			910,000
Current accounts	Anabel	54,000	
	Bakari	(9,000)	
	Charo	7,000	<u>52,000</u>
			962,000
Non-Current Liabilities			
Loan from bank		92,000	
Loan from	Bakari	<u>80,000</u>	<u>172,000</u>
			<u>1,134,000</u>

The current assets sold on the market fetched the following assets:

	Ksh
Freehold property	820,000
Equipment	84,000
Inventory	278,000

The receivables paid their amounts in full while payables gave discounts of Ksh 5,000. The dissolution amounts to Ksh 20,000.

Required:

Prepare the relevant accounts to record the dissolution (16 Marks)

QUESTION TWO

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)

QUESTION THREE

Mlolongo trader commenced business on 1 January, 2017. He sells air-conditioners, all or 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 Mlolongo is Kshs, 2,000. The following trial balance was extracted from Mlolongo trader's books as on 31 December, 2017.

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	
	2,127,000	2,127,000

Additional information:

850 machines were sold on hire purchase terms during 2017. 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, 2017. (12 Marks)
- b) The Balance sheet as at 31 December, 2017. (8 Marks)

QUESTION FOUR

Madini 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 500,000 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)	6,000	10,000	12,000	14,000	12,000

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

Required

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

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

QUESTION FIVE

- a) An investing company originally acquired Ksh 400,000 9% debentures in Zamu Ltd at a capital cost of Ksh 360,000, and subsequently increased its holding by another Ksh 800,000 (Nominal) at a capital cost of Ksh 760,000. Eventually the company sold Ksh 600,000 (Nominal) of its holding.

If the investing company held both the investments on 1 July 2021, the disposal took place on 1 December 2021 at 91 ex-div, and the company Zamu ltd pays debentures interest on 30th June and 31st December,

Required:

Show the entries to be made in the books of the investing company for the year ended 30th June 2022. (10 Marks)

- b) Explain any four key features of a Consignment Account and discuss how it differs from a normal sales transaction (10 marks)