



TECHNICAL UNIVERSITY OF MOMBASA

School of Business

Department of Accounting & Finance

UNIVERSITY EXAMINATION FOR: BACHELOR OF COMMERCE

BACHELOR OF BUSINESS ADMINISTRATION DEGREE

BAC 4301: ADVANCED ACCOUNTING 1
END OF SEMESTER ORDINARY EXAMINATION

SERIES: AUGUST, 2024

TIME: 2 HOURS

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

a) X and Y are partners in a firm sharing profits in the ratio of 3:2. The balance in their capital and current accounts as on January 1 2022 were as under.

	X	Y
Capital account	30,000	20,000
Current account	10,000	8,000

The partnership deed provided that X is to be paid a salary at sh. 50p.m where as Y is to get a commission of sh.4000 for the year. Interest on capital is to be allowed at 6percent p.a. the drawings of X and Y for the year were sh. 3000 and sh. 1000 respectively. Interest on drawings for X and Y was sh. 75 and 25 respectively. The net profit of the firm before making all this adjustments was sh. 24,900.

Required

- i. Prepare profit and loss appropriation account (6marks)
 - ii. Partners current accounts (4marks)
- b) The lease of a plot is granted to 'Z' upon the basis of a royalty of sh.100 per ton on the clay extracted, subject to a minimum rent of sh. 200,000 per annum. Z has the right to recoup short workings during the 1st 5 years of the lease but not after words.

Z granted a sub-lease for first five years from 1st January 2018 to XY Ltd. On one-half of the area for a royalty of sh.150 per ton merging in a minimum rent of 1,250,000 per annum. Under the terms of the sub-lease, XY Ltd can recoup short workings in any of the 2years immediately following that in which short working accrued. The output in tons for Z and XY Ltd was as follows:

	Z	XY Ltd
31 st December 2018 first year	10,000tons	6500tons
31 st December 2019 second year	16,000 tons	8,000 tons
31 st December 2020 third year	20,000 tons	8,200 tons
31 st December 2021 fourth year	25,000 tons	9,000 tons
31 st December 2022 fifth year	26,000 tons	9,900 tons

Required:

From the figures above prepare the following accounts in the following books of Z

- i. Royalty account payable account (6marks)
- ii. Royalty Receivable account (6marks)
- iii. Land lords account (4marks)
- iv. Short workings account (4marks)

QUESTION TWO

- a) Distinguish between Operating Lease and hire purchase (8marks)
- b) ABC Ltd bought two motor vehicle at a garage without fear during a dry spell of 1st January 2021 from XY Ltd on hire purchase system. The cost of each vehicle was sh. 800,000 which was payable with a deposit of sh. 170,000and the balance in three equal monthly instalments plus interest at the rate of 10% .the original cost of each of the vehicles from the manufacturer was sh. 640,000.

Required; Prepare the following accounts in the books of the buyer.

- i. Motor vehicle account (2marks)
- ii. Hire purchase liability account (XY Ltd) (6marks)
- iii. Interest Expense Account (4marks)

QUESTION THREE

- a) Discuss any 4 features of contract accounts in accounting for construction contracts (IAS II) (8Marks)
- b) Amani Construction Company won the contract for building technical college at a cost of shs. 140million.

For the company's financial year ended 31st march 2023, the data relating to the contract is as follows:-

	Sh.'000'
Materials issued to the site	21500
Cost of labour engaged on contract	3600
Plant purchased and installed	18,000
Direct expenditure	4800
General management charges	1750
Materials returned to the store	2500
Work certified	25,000
Cost of work not certified	7000
Stock of materials on site 31.03.2023	2000
Wages accrued 31.3.2023	300
Value of plant on 31.3.2023	12,000

The company has received from the technical collage payment amounting to sh.40million.

Prepare the following accounts;

- i. Contract account (6marks)
- ii. Contractee account (3marks)
- iii. Balance sheet extract (3marks)

QUESTION FOUR

ABC Ltd, whose head office is in Nairobi operate a branch at Nakuru. All goods are purchased by the head office and invoiced to and sold by the branch at cost plus 33 1/3%. Other than a sales ledger kept at Eldoret, all transactions are recorded in the books of Head office in Nakuru.

The following particulars are given of the transaction at the branch during the year ended 31st December 2022.

	Ksh.'000'
Stock on hand on January 1, 2022 at invoice price	44,000
Debtors January 1, 2022	39460

Stock on hand 31 st December 2022 at invoice price	39480
Goods sent from Nairobi during the year at invoice price	248,000
Credit sales	210,000
Cash sales	24,000
Returns to head office at invoice price	10,000
Invoice of value of goods stolen	6,000
Bad debts written off	1480
Cash from debtors	224,000
Normal loss at the invoice price due to wastage	1,000
Cash discount allowed	4280

Required: Prepare the following accounts in the ledger of the head office for the year ending 31st December 2022.

- a) Branch stock account (6Marks)
- b) Goods sent to branch (2marks)
- c) Branch mark-up account (4marks)
- d) Branch debtors account (4marks)
- e) Branch income statement (4marks)

QUESTION FIVE

- a) Distinguish between the following terms
 - i. Purchase cum 'div' and Purchase ex 'div' (2marks)
 - ii. Sales cum 'div' and sales ex 'div' (2marks)
 - iii. Bonus issues and rights issue (2marks)
- b) Describe main features of fixed interest securities (3marks)
- c) ABC Ltd of Nairobi sent 1000 cases of medicines to XY Ltd of Ethiopia at sh. 1000 per case. Expenses on the consignment incurred by the consignor amounted to sh. 30,000. XY Ltd were working as a delcredere agents. Their ordinary commission was 5% and delcredere commission 7 1/2 %. XY Ltd paid by cheque sh. 200,000 as an advance to ABC Ltd immediately on the receipt of the consignment. After six month an account sales was received by ABC Ltd giving the following information;-
 - i. sale proceeds of 750 case sh. 1,200,00

- ii. stock of unsold goods in hand 250 cases
- iii. Commission charged at agreed rates of 5% and $7\frac{1}{2}$ del credere.
- iv. Consignment 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 sale. This bill was discounted immediately by ABC Ltd for sh. 78,000.

Required

Assuming that has to close their books on the receipt of above account sales, show the following entries Ledger account in the books of ABC Ltd

- i. Consignment account (6marks)
- ii. Bills receivable account (2marks)
- iii. Goods sent on consignment account (2mark)

- iv. Consignment stock account (1mark)