



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

SUPPLEMENTARY/SPECIAL EXAMINATIONS

SERIES: JULY 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) Xaxa, Yeye and Zizi have been trading as partners sharing profits and losses in the ratio of 2:2:1 on the 1st July 2015, 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 2015 was as follows:

**Xaxa, Yeye and Zizi
Balance Sheet as at 1.7.2015**

	Ksh	Ksh
Non-Current Assets		
Freehold property		600,000
Equipment		<u>300,000</u>
900,000		
Current Assets		
Inventory	160,000	
Account receivables	90,000	
Cash at bank	<u>42,000</u>	
292,000		
Current Liabilities		
Account payables	<u>(60,000)</u>	
Net current assets		<u>232,000</u>
Net Assets		<u>1,132,000</u>
Financed by:		
Capital accounts		
Xaxa		780,000
Yeye		260,000

	Zizi		<u>40,000</u>
			1,080,000
Current accounts	Xaxa	14,000	
	Yeye	(6,000)	
	Zizi	4,000	<u>12,000</u>
			1,092,000
Non-Current Liabilities			
Loan from bank		30,000	
Loan from	Yeye	<u>10,000</u>	<u>40,000</u>
			<u>1,132,000</u>

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

	Ksh
Freehold property	620,000
Equipment	96,000
Inventory	58,000

The receivables paid their amounts in full while payables gave discounts of Ksh 2,000. The dissolution amounts to Ksh 16,000.

Required:

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

- b) Kenneth Kim of Nairobi consigned on 15th March 2018, 45 cases of glassware (cost price is Ksh 412,350) to Obadiah for sale at a commission of 5% of gross sales proceeds. The consignor paid freight and carriage amounting to Ksh 5,390. The goods arrived at Kisumu on 20th March 2018, and Obadiah paid railway clearing charges Ksh 2,350, sundry charges Ksh 590, Carriage Ksh 1,020, and godown charges Ksh 900.

The goods were sold by Obadiah as: 15 cases at Ksh 10,030 per case, 22 cases at Ksh 10,500 per case, and the remainder at Ksh 100,000 (total value)

On 21st June 2018, Obadiah sent a draft for Ksh 100,000 to Kenneth Kim on account. On 1st July 2018, Obadiah forwarded an account sales together with a bill of exchange for the balance.

Required:

Prepare the necessary accounts to record the above transactions in the books of both parties. **(10 Marks)**

- c) Explain any three types of Joint Venture businesses **(6 Marks)**

QUESTION TWO

Bakhita limited set up a branch in Kisauni, on 1st January 2020 to expand its volume of business. The accounts for the branch are maintained in the HO Ledger. Goods sent to the branch are invoiced to the branch at selling price, which is HO cost plus 25% of cost. By 31st December 2020, goods with a selling price of Ksh 5m had been sent to the branch; goods with a selling price of Ksh 250,000 were unsuitable for sale in this branch and were returned to the head office. In the year cash sales amounted to Ksh. 3,200,000

and credit sales amounted to Ksh 800,000 and closing stock on 31 December 2020 was (at selling price) Ksh 750,000.

The Head Office and branch expenses are Ksh 1,800,000 and Ksh 650,000 for the year to 31 December 2020 respectively. The following information relates to the head office:

	Ksh 000
Opening stock at HO	2,200
Closing stock at HO	700
Purchases made by HO	9,500
Sales made by HO	12,000

Required

- a) Prepare Branch stock account (4 Marks)
- b) Prepare Branch markup account (3 Marks)
- c) Prepare Branch Goods sent to Branch Account (4 Marks)
- d) Prepare the Income statements for Bakhita limited for the year ending 31st December 2020 (9 Marks)

QUESTION THREE

Dorothy investing company originally acquired Ksh 400,000 9% debentures in ZafariZain limited 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 1st July 2020, the disposal took place on 1st December 2020 at 91 ex-div, and the company ZafariZain limited pays debentures interest on 30th June and 31st December,

Required:

Show the entries to be made in the books of Dorothy investing company for the year ended 30th June 2021 using the following approaches

- a) FIFO method (10 Marks)
- b) Weighted Average (10 Marks)

QUESTION FOUR

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
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

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

QUESTION FIVE

Describe the following terms as they relate to accounting for royalties

- a) The Royalty account (4 Marks)
- b) The Short workings account (4 Marks)
- c) The Landlord account (4 Marks)
- d) Minimum Rent (4 Marks)
- e) Right of Recouping (4 Marks)