TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

DIPLOMA IN ACCOUNTANCY

BAC 2206: SPECIALIZED ACCOUNTING

END OF SEMESTER EXAMINATION

SERIES: APRIL, 2025

TIME: 2HOURS

DATE: APRIL, 2025

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) Explain the following terminologies in relation to contract construction contract accounts

i)contract asset (3 Marks)

ii)contract liability (3 marks)

iii)contract receivables (3 marks)

b) X ltd is a fitter of night club equipment. The projects normally take a number of months to complete and the company has 2 contracts in progress at the year-end 31 December.2024 as shown below

	Contract 1 shs	Contract 2 shs
Cost incurred to date	320	540
Cost to complete	40	90
Contract Price / Revenue	416	684
Work Certified to Date	312	456
Progress billings	250	350
Billings Received	200	300

X Ltd accrues profits on its construction contracts using % of completion derived from the work certified to the sales revenue (contract price).

Required

a) Calculate for each contract the following:
   i) Contract recognised profit (4 marks)
   ii)contract asset or contract liability (4 marks)
   iii) contract receivables (4 marks)
b) Show how the above calculated values in part a above should be reported in the Financial Statements at 31 December 2024 (9 marks)

QUESTION 2

a) Explain FIVE characteristics of joint ventures (10 marks)

b) Kuku entered into joint venture arrangement with KULA in mombasa to supply chicken meat. The order was for a short a period due to high demand caused by international and local tourists. They agreed that KUKU will supply the chicken and KULA will prepare for the sale to the surrounding hotels. The head and legs for chicken were sent back to KUKU for resale to people who specifically needed them in large number. They resolved that the profit will be shared in the ration of 3/5to KUKU and 2/5 to KULA.

The following are details of their joint venture

Transactions by KUKU	
Purchase of chickens	5600
Transport	2500
Travelling	1200
Wages	100
Medicine	230
Rent	600
Sal of heads and legs	3600
Transactions by KULA	
Sales of meat	14000
Water	200
Electricity	300
Distribution	1500
Transport	170
Wages	300
Sales of cock tail feathers	1200
Sales of dead chicken	400

Additional information:

1.The agreement was that the cost of dead chicken on transit to be borne by KULA who could compensate by selling chicken meat to people who had dogs.
2.The dead chicken sold had cost shs.500
3.1/3 of the rent was used for personal use by KUKU
4. They agreed that KUKU should be given salary of shs. 200 to compensate for the effort of looking for the chicken and KULA shs. 300 for his experience as a butcher and meat parker.
Required: Prepare
a) Joint venture accounts in the books of KUKU and KULA (5 marks)
b) Memorandum joint venture account (5 marks)

QUESTION 3

a) List and explain FOUR accounts that the consignor should be prepare to record consignment transactions. (8 Marks)

b) On 8 February 2018 PJ, a London trader, consigned 120 cases of goods to MB, an agent in New Zealand. The cost of the goods was shs.25. PJ paid carriage to the port shs 147 and insurance shs.93.

On 31.3.2018, PJ received an accounts sale from MB, showing that 100 cases had been sold for shs.3500 and MB had paid freight, at the rate of shs.2 a case, and port charges amounting to shs. 186.MB was entitled to a commission of 5% on sales. A sight draft for the net amount due was enclosed with account sales.

Required: In the books of PJ, prepare:

a) Consignment account (6 marks)

b) Consignee (MB) account (6 marks)

QUESTION 4

a) Explain FOUR features of hire purchase arrangement that make it different from purchasing an item normally. (8 marks)

b) On 30. September 2007 B ltd, who prepares final accounts annually to 30 September, bought a motor lorry on hire purchase from the vehicles and Finance Ltd. The cash price of the lorry was shs. 3081.Under the terms of the hire purchase agreement, B Ltd paid a deposit of shs.1000 on 30 September 2007, and the two instalments of shs.1199 on 30 September 2008 and 2009.The hire vendor charged interest shs 10 percent per annum on the balance outstanding on the1 October each year. All payments were made on the due dates.

B Ltd maintained the motor lorry account at cost and charged depreciation at 25% on the reducing balance method.

Required:

a) Prepare the following accounts as they would appear in the ledger accounts of B Ltd for the period of the contract:
   i)Vehicles and finance ltd (2 marks)
   ii)motor lorry on hire purchase (2 marks)
   iii)Accumulated depreciation (2 marks)

iv) Hire purchase interest account (2 marks)

b) Show how the above matters would appear in the statement of financial of B Ltd at 30 September 2008 year end. (4 marks)

QUESTION 5:

a) Explain the following terminologies in investment accounting

i) cum dividend (*cum div)* *(3 marks)*

ii) ex dividend (*ex div)* *(3 marks)*

b)Brent Ltd bought shs.10000 3 percent government stock at 40 *ex div* on 1 January 2016.The cheque for the stock shs.4000 plus brokerage charges shs100 was shs 4100 .The interest is received on 31 march,30 june,30 September and 31 December 2016.During 2017 interest is received on 31marchand all the stock is sold for 43 *cum div* on 31 May, the cheque being shs.4190,made up of shs 4300 total proceeds less shs brokerage charges .the financial year end of Brent Ltd is 31 December.

Require; Prepare investment account for the 3% government bond in the books of Brent Ltd. (14 marks)