KIBABII UNIVERSITY COLLEGE

(A Constituent College of MasindeMuliro University of Science Technology)

P.O. Box 1699-50200 Bungoma, Kenya

Tel. 020-2028660/0708-085934/0734-831729

FACULTY OF EDUCATION SCIENCE AND SOCIAL SCIENCE

UNIVERSITY REGULAR EXAMINATIONS

2013 /2014 ACADEMIC YEAR

3RD YEAR 2ND SEMESTER EXAMINATIONS

(MAIN EXAMINATION)

FOR THE DEGREE OF BACHELOR OF

COMMERCE

COURSE CODE: BBM 319

COURSE TITLE: ADVANCED ACCOUNTS I

DATE: 22ND APRIL , 2014 **TIME:** 9:00A.M.-12 NOON

INSTRUCTIONS TO CANDIDATES:

Answer all questions in section A and any other three in section B

QUESTION ONE

a) The accounting conceptual framework sets out the concepts that underlie the preparation and presentation of financial statements. Briefly explain the main purpose of the accounting conceptual framework. (10mks)

b) Identify the problems associated with segmental reporting. (5mks)

c) Wananchi ltd has an authorized share capital of sh. 10,000,000 ordinary shares of sh. 10 each. The shares were issued at par as follows:-
Payable on application sh. 1.00
Payable on allotment sh. 3.00
Payable on first call sh. 4.00
Payable on second call sh. 2.00

Applications were received for 1,630,000 shares. It was decided to refund applicants monies on 130,000 shares and to allot all the shares on the basis of two for every three applied for. The excess application monies received form the successful applicants is not to be refunded but it is to be applied to reduce the amount payable on allotment. The calls were made and paid in full with the exception of one member holding 5,000 shares that paid neither first nor second call nor another member who did not pay the second call on 1,000 shares. After requisite action by the directors the shares were forfeited. They were later reissued at a price of sh. 8 per share.

Required:-

i) Application Account. (2mks)
ii) Allotment Account. (2mks)
iii) 1st call Account. (2mks)
iv) 2nd call Account. (2mks)
v) Ordinary share capital Account. (2mks)

(Total 25mks)

QUESTION TWO

Bidii Ltd, whose head office is in Nairobi, operates a branch at Bunogma. All goods are purchased by head office and invoiced to and sold by the branch at cost plus 33⅓%. Other than a sales ledger kept in Bungoma, all transactions are recorded in the books in Nairobi. The following particulars are given on the transactions at the branch during the year ended 30 June 2007.

	Shs.
Stock on Hand, 1st July 2006 at invoice price	308,000
Debtors on 1st July 2006	276,220
Stock on land,30 June 2007 at invoice price	276,360
Goods sent from Nairobi during the year at invoice price	1,736,000
Credit sales	1,470,000
Cash sales	168,000
Returns to head office at invoice price	70,000
Invoice value of goods stolen	42,000
Bad debts written off	10,360

Cash from debtors	1,568,000
Normal loss at invoice price due to wastage	7,000
Cash discount allowed to debtors	29,960

Any further loss should be treated as a loss of cash.

Required

- i) Branch stock account (5mks)
- ii) Branch mark up account (5mks)
- iii) Branch total debtors account for the year ended 30 June 2007 as they would appear in the head office books (5mks)

QUESTION THREE

On July 1 2009, Mr. Otieno purchased goods valued at sh. 7,800 from Mr. John and on the same date he accepted a three-month bill for sh.7,700 in full settlement of the debt. On the same date it was endorsed by Mr. John to Mr. Peter in full settlement of a debt of sh. 8,000 due from him to Mr. Peter. Mr. Peter immediately discounted the bill for sh. 7,600.
On the due date, the bill was dishoured and noting charges incurred by the banker amounted to sh. 100, but the bill was taken over by Mr. John on dishoured (the bank was paid by Mr. John).

Required.

- a) Journalise the above transactions in the books of Mr. John. (7mks)
- b) Prepare Mr. John's account in:-
  - i) Books of Mr. Otieno. (4mks)
  - ii) Books of Mr. Peter. (4mks)

(Total Marks 15)

QUESTION FOUR

- a) Identify any four limitations of current cost accounting. (4mks)
- b) The summarized accounts of Zantel Ltd prepared on the historical cost basis for the year ended 31st December 2012 were as follows.

Profit and loss account for the year ended 31 December, 2012

		Shs. Millions
Operating profit	355	
Interest payable		(60)
Net profit before taxation		295
Corporation tax		(150)
Net profit after taxation	145	
Retained profit - 1 January 2012		180
Retained profit – 31 December 2012		325

Balance sheet as at 31 December

	2011		2012	
	Sh(m)	Sh(m)	Sh(m)	Sh(m)
Fixed assets (cost)		1,000		1,000
Less: Depreciation		(250)		(375)
		750		625

Current Assets				
Stock (December Purchase)	600		900	
Cash in Hand	30		50	
	630		950	
Current Liabilities				
Corporation tax payable	(100)	530	150	800
		1280		1425
Finance by:				
Share Capital (Sh. 100per value)		700		700
Retained earnings		180		325
15% Debentures		400		400
		1280		1425

The directors of Zantel Ltd intended to publish supplementary accounts based on current cost accounting.

Additional information.

i) Sales, purchases and other expenses are accrued evenly during the year.
ii) Zantel Ltd purchases and sells all goods on an immediate cash basis.
iii) The fixed assets were purchased on 1 January 2010 and are depreciated on straight line basis over a period of eight years assuming a nil residual value. The depreciation for the year ended 31 December 2012 was sh. 125 million.
iv) The following price indices are provided for the company's stock and fixed assets.

	Stock	Fixed Assets
1 January 2010		100
Average for December 2011	130	
31 December 2011	132	120
Average for the year 2012	136	124
Average for December 2012	144	
December 2012	145	132

v) The Company's stock turnover on average once a month.

Required:-
i) Current cost profit and loss account for the year ended 31 December 2012 (6mks)
ii) Current cost balance sheet as at 31 December 2012 (5mks)

QUESTION FIVE

The balance sheet of John, Peter and Sharon trading as Jamii Merchants on 31 March 2005 was follows:-

Jamii Merchants
Balance Sheet as at 31 March 2005

	Shs.	Shs.	Shs.
Non Current Assets			
Premises			30,000
Equipment			7,200
Fixtures and fittings			8,100
			45,300
Current Assets			
Inventory	17,800		

Accounts receivable	4,300		
Cash	1,100	23,200	
Current Liabilities			
Accounts payable	6,400		
Bank Overdraft	9,700	(16,100)	7,100
Net Assets			52,400
Financed by			
Capital Accounts			
John			20,000
Peter			20,000
Sharon			10,000
			50,000
Current Accounts			
John		3,600	
Peter		(2,100)	
Sharon		900	2,400
			52,400

Additional information.

1. Upto 31 March 2005, the partners had shared profits and losses equally. However it was agreed that from 1 April 2005 this would change to John ½. Peter ⅓ and Sharon ⅙.
2. The assets were revalued at the following amounts.

	Shs.
Premises	55,000
Equipment	6,000
Fixtures & Fittings	8,000
Inventory	16,500
Account receivable	4,100
Goodwill	12,000

Required:-

i) Capital accounts for the year ended 31 March 2005. (5mks)
ii) Revaluation accounts as at 31 March 2005. (5mks)
iii) Balance sheet as at 31 March 2005. (5mks)