

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 413: SPECIALIZED FINANCIAL ACCOUNTING TECHNIQUES

STREAMS: BCOM Y4S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 24/3/2021

2.30 PM – 4.30 PM

INSTRUCTIONS:

- Answer question ONE (Compulsory) and any other Two.
- Do not write on the question paper.

QUESTION ONE

Kamau has negotiated with Onyango for a licence to manufacture and sell weighing scales patented as “wellscale”. Onyango is the registered owner of the patent. The agreement provides for a royalty to be paid to Onyango of Sh.250 for each unit sold in a year, subject to a minimum of Sh.2,500,000 per year. The shortfall in any year can be recouped from any excess of royalties over the minimum sum in the following year.

Kamau sold 8000 weighing scales in 2010 and 11000 in 2011. From the beginning of 2012, Kamau issued a sublicense to Kiplangat for the manufacture and sale of the same units, on the terms of a royalty of Sh.300 each, a minimum sum of Sh.1,500,000 per year and the right to recover any shortfall for a year from an excess in the following year.

The sales volumes for the following three years were:

	Kamau	Kiplangat
2012	12000	3000
2013	14000	4000
2014	14500	5000

Required:

The following accounts in the books of KAMAU. For each of the five years ended 31 December 2010, 2011, 2012, 2013 and 2014.

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|----------------------------------|-----------|
| (a) Analysis Sheets | [5 Marks] |
| (b) Royalties payable account | [5 Marks] |
| (c) Onyango. Account (Landlord) | [5 Marks] |
| (d) Royalties receivable account | [5 Marks] |

- (e) Short-workings accounts. [5 Marks]
 (f) Kiplagat. Account. (Sub-tenant) [5 Marks]

QUESTION TWO

a) Excel Business services sells its goods in containers which are returnable. These containers are purchased by the company at Sh.20 per container but each container is written down to the book value of Sh. 15 per container irrespective of whether they are still in stock or in the hands of customers. Containers are charged out to customers at Sh.25 per container, but the customer is credited with Sh.18 per container if it is returned in good condition within three months of receipt.

The following information relates to the year ended on 31st March, 2003:

- (i) Stock at 1.4.2002
 Premises 10,000
 Customers 2,000
- (ii) During the year 15,000 containers were purchased
 (iii) 40,000 containers were returned by customers within the time limit.
 (iv) 3,000 containers were not returned by customers within the time limit. These were considered as kept by the customers permanently.
 (v) 1,000 containers were scrapped and sold for Sh.3,000
 (vi) Shs.7,000 were spent on the repair of the containers.
 (vii) On 31st March 2003, 4000 containers were in the possession of customers.

Required:

- Containers stock account [7 Marks]
 Containers suspense A/C for the year ended 31 Dec 2018 [5 Marks]
 Profit or loss Reconciliation [3 Marks]

- b) Explain the term Royalties and explain three main types of royalties. [5 Marks]

Question Three

a) Strathmore College acquired 2 new 7-ton buses on 1 Jan. 2010 for £129,150. The cash price of these units was £90,000. The deal was financed by TSTP (financing) Ltd, and the terms of the hire purchase contract required a deposit of £30,000 on delivery, followed by 3 installments on 31 Dec. 2010, 2011 and 2012 of £33,000, £33,000 and £33,150 respectively. The interest was to be charged on sum of digits method.
 Depreciation is to be charged on vehicles at 20% per annum, using straight line method.

Required:

- Motor vehicle account [2 Marks]
 Provision for Depreciation Account [2 Marks]
 HP supplier (TSTP Ltd) [3 Marks]
 HP Interest Suspense Account [3 Marks]
 Extract of P&L Account [2 Marks]

Extract of Bank Account [2 Marks]

b) Explain three methods of writing off interest in hire purchase contracts. [6 Marks]

Question Four

Kenya and cash carrier ltd is a company with branches country wide with its head office in Nairobi. It keeps the branch records where the stock is sent to branches at a cost plus 20%. The following are the details for Laikipia branch during the October, 2017.

At first November 2016.

Stock at branch	26400
Debtor at branch	24600

31st October 2017

Cash sale	58200
Credit sale	254200
Discount allowed	1800
Bad debt written off	10000
Expenses paid by branch	7200
Good sent to branch at selling price	162000
Good returned to branch by credit customer	14100
Cash received from credit customer	213800
Good returned at head office at selling price	12000
Closing stock at selling price	31500

Required

- Branch stock a/c (two column analysis) [4 Marks]
- Stock adjustment a/c [3 Marks]
- Good sent to branch [2 Marks]
- Debtor control a/c [3 Marks]
- Trading and profit and loss a/c [5 Marks]

b) Differentiate between charge out, credit back and depreciated value. [3 Marks]

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