

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BCOM 413: SPECIALIZED FINANANCIAL ACCOUNING TECHNIQUES

STREAMS: BCOM Y4S1

TIME: 2 HOURS

DAY/DATE: FRIDAY 24/09/2021

11.30 A.M – 1.30 P.M

INSTRUCTIONS

■ Answer question one and any other two questions

QUESTION ONE

AB and Co. holds a lease of minerals from RSLtd for a period of 40 years from 2007. Under this lease, there is payable a royalty of ksh 100 per tonne merging in minimum rent of ksh 20,000 per year payable 31st Dec every year. They granted a sub lease for 20 years from 2008 to XY Co. ltd for royalty of ksh 150 per tonne merging in A minimum rent of ksh 12,000 per year, payable yearly on 31st Dec every year.

AB and Co are entitled to recoup short workings from RS ltd throughout the lease term, but the sub lease allows XY Co ltd to recoup shortcomings only out of excess workings in any of the two years immediately following that in which short workings accrued:

The mining work is as follows:

	By AB & Co.	By XY & Co.
Year ended	(Tonnes)	(tonnes)
2008	50	-
2009	50	50
2010	200	60
2011	300	100
2012	250	120

Required :

The following accounts in the books of ABC ltd. For each of the five years ended 31 December 2008,2009, 2010, 2011, 2012;

- | | |
|----------------------------------|-----------|
| (a) Analysis sheets | [5 marks] |
| (b) Royalties payable account | [5 marks] |
| (c) Landlord account | [5 marks] |
| (d) Royalties receivable account | [5 marks] |
| (e) Short workings accounts | [5 marks] |
| (f) Sub tenant account | [5 marks] |

QUESTION TWO

- (a) A limited set up a branch in Buruburu, Nairobi, on 1st January 2002 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 33 1/3% of cost.

By 31st December 2002, goods with a selling price of ksh 4m had been sent to the branch; goods with a selling price of ksh 200,000 were unsuitable for sale in this branch and were returned to the head office. In the year cash sales amounted to ksh 2,800,000 and credit sales amounted to ksh 600,000 and closing stock on 31 December 2002 was (at selling price) ksh 400,000.

The head office and branch expenses are ksh 2,200,000 and ksh 810,000 for the year to 31 December 2002 respectively. For simplicity, these expenses have not been analyzed into their constituent components; they are posted in their total amounts in a columnar expense account.

Required :

- | | |
|------------------------------|-----------|
| Branch stock account | [5 marks] |
| Branch mark up account | [4 marks] |
| Goods sent to branch account | [3 marks] |

Expense account [4 marks]

(b) Explain the following terminologies as used in containers accounts.

Credit back price [2 marks]

Depreciated value [2 marks]

QUESTION THREE

(a) Jiko ltd supplies cooking gas in 10 kilogramme cylinders which are returnable after use. The cylinders are purchased at ksh 500 each and are valued at ksh 400 for stocktaking purposes.

On issues of the cylinders to customers, a deposit of ksh 600 is paid per cylinder of which ksh 520 is refunded to customers on return of a cylinder within a period of three months.

During the year ended 31 December 2002, the company purchased 6,000 new cylinders at the normal purchase price but returned 200 cylinders to the supplier due to defects detected on inspection. A credit of ksh 100,000 was given by the supplier for the returned cylinders. For the year ended 31 December 2002, customers were issued with 72,000 cylinders and they returned 68,000 cylinders. As at 31 December 2002, the customers held 10,000 cylinders which had been issued within the previous three months.

For safety purposes the cylinder returned by customers were thoroughly inspected and repaired for any damages or defects. On average, ksh 40 was spent as inspection and repair costs per cylinder returned by a customer.

Due to wear and tear 250 cylinders were confirmed to be unsafe for use. These were sold to a scrap metal dealer at ksh 180 each.

On 31 December 2002, stock taking revealed that there were only 3,500 cylinders in the warehouse. The deficit was treated as a loss.

Required:

- (i) Containers stock accounts as at 31 December 2002. [5 marks]
- (ii) Containers suspense account as at 31 December 2002. [6 marks]
- (iii) Containers profit and loss account for the year ended 31 December 2002. [5 marks]
- (b) Explain the term royalty and explain three types of royalty. [4 marks]

QUESTION FOUR

- (a) Explain three methods of writing off hire purchase interest. [6 marks]
- (b) 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,£33,00 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 :

- Sales account [2 marks]
 - HP interest suspense account [4 marks]
 - HP debtors account [4 marks]
 - Extract of P&L account [2 marks]
 - Extract of Bank account [2 marks]
-