

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS

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

**BCOM 413: SPECIALIZED FINANCIAL ACCOUNTING TECHNIQUES**

**STREAMS: BCOM (ODEL) Y4S1**  
**DAY/DATE: TUESDAY 20/7/2021**

**TIME: 2 HOURS**  
**5.00 P.M. – 7.00 P.M.**

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**INSTRUCTIONS: Answer question ONE and any other TWO questions**

**QUESTION ONE**

ABC ltd obtained a 20 year lease of land from GHl ltd. effective from 1 January 2009, for the purposes of extracting marble. The lease provided for the payment of a royalty of sh. 100 for every ton of marble extracted with a minimum rent of sh. 200,000 per year, payable annually on the 31 Dec of the year to which the payment relates. Provision was made for short-workings to be recouped out of subsequent excess workings during the first four years.

ABC ltd granted a sub-lease of one third of the area of land in question to XYZ ltd. for 12 years effective from 1 January 2010. XYZ ltd was to pay a royalty of sh. 125 per ton of marble extracted merging into a minimum rent of sh. 80,000 per year. This royalty was to be payable on the 31 Dec at the year-end to which the royalty related. The sub-lease provided for short workings to be recouped out of any subsequent excess workings within two years of the end of the year in which the short-workings occurred. The financial years of ABC ltd, GHl Ltd and XYZ ltd end on 31 December.

The quantities of marble extracted were as follows:

Year ended 31 December	ABC ltd Tons	XYZ Ltd Tons
2009	1,200	-
2010	1,300	560
2011	1,700	680
2012	1,800	660
2013	2,000	720

**Required:**

## BCOM 413

The following accounts in the books of ABC ltd. for each of the five years ended 31 December 2009, 2010, 2011, 2012 and 2013:

- |                                   |           |
|-----------------------------------|-----------|
| (a) Analysis sheets               | [5 marks] |
| (b) Royalties payable account     | [5 marks] |
| (c) GHL ltd account (landlord)    | [5 marks] |
| (d) Royalties receivables account | [5 marks] |
| (e) Short workings accounts       | [5 marks] |
| (f) XYZ ltd account (sub-tenant)  | [5 marks] |

### QUESTION TWO

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 25%. The following are the details for Laikipia branch during the October 2017.

At first November 2016	
Stock at branch	26400
Debtor at branch	24300
31 <sup>st</sup> 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:

- |  |           |
|--|-----------|
| (i) Branch stock a/c (two column analysis) | [5 marks] |
| (ii) Stock adjustment a/c                  | [2 marks] |
| (iii) Good sent to branch                  | [3 marks] |
| (iv) Debtor control a/c                    | [5 marks] |
| (v) Trading and profit and loss a/c        | [5 marks] |

### QUESTION THREE

### BCOM 413

- (a) Briefly explain the following terms as used in accounting for returnable containers:
- (i) Charge-out price [2 marks]
  - (ii) Credit back price [2 marks]
- (b) Mikebe Mitupu ltd which commenced business on 1 October 2016, supplies gas in cylinders which are billed to the customers at sh. 750 per cylinder, the customers get a credit of sh. 600 if the cylinder is returned within 10 weeks. For the year ended 30 September 2017, the company purchased 5000 cylinders at sh 500 per cylinder and sent 15,000 cylinders to the customers who returned 12,000 of them; in respect of 2,500 the period of 10 weeks had not yet expired. The company spent sh. 400,000 on maintenance and repairs of the cylinders and considered them to be worth sh. 400 each on 30 September 2017.

**Required:**

- (i) The cylinders stock account [7 marks]
- (ii) The cylinders suspense account [5 marks]
- (iii) Profit reconciliation [4 marks]

#### QUESTION FOUR

- (a) Oswal purchased a generator on hire purchase as detailed below:

	Sh.
Cost price	300000
Hire purchase price	350000
Interest rate	10%
Repayment deposit	100000
Annual payment	83333

**Required:**

- Using actuarial method compute payable written off interest [5 marks]
- (b) Differentiate between
- (i) Hire purchase and renting [2 marks]
  - (ii) Hire purchase and credit sales [2 marks]
- (c) Explain three methods of writing off hire purchase interest [6 marks]
- (d) Explain the term royalty and explain three types of royalty [5 marks]
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