

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BCOM 418: ADVANCED SPECIALISED FINANCIAL ACCOUNTING TECHNIQUES

STREAMS: BCOM Y4S2 (ODEL)

TIME: 2 HOURS

DAY/DATE: MONDAY 29/03/2021

11.30 A.M. – 1.30 P.M.

INSTRUCTIONS: Answer question one and any other two.

QUESTION ONE

- (a) Explain four features of farm accounts (8 marks)
- (b) Keroka Construction Company took a contract No. 125 during the year ended 31st March 2017. The following are the details of the contract

	Sh.
Work certified by the architect	143,000
Cost of work not certified	3,400
Plant installed at site	11,300
Value of plant 31 st March 2017	8,200
Materials sent on site	64,500
Labour	54,800
Establishment charges	3,250
Wages accrued on 31 st March 2017 (SOFP)	1,800
Direct expenditure	2,400
Material on hand 31 st March 2017	1,400
Material returned to store	400
Direct expenditure on 31 st March 2017	200
Contract price	200,00
Cash received from contractee	130,000

It was agreed to transfer 2/3 of the profit on cash basis to P&L a/c

Required

Contract account clearly showing what should be transferred to P&L a/c	(14 marks)
Contractee account	(4 marks)
Extract of balance sheet	(4 marks)

Question two

(a) Nyakongo Farm Fresh Farmers Ltd has provided the following data for the year ended 31st Dec 2019 in relation to cattle firm.

Particulars	Number	Values Sh.
Opening stock livestock	50	90,000
Closing stock livestock	60	110,000
Purchases of cattle in the year	110	205,000
Sale of cattle in the year	95	212,000
Sale of slaughtered cattle	6	12,000
Sale of carcasses	4	1,000
Cattle food		18,000
Wages for rearing		4,500
Slaughter house expenses		500

Crop worth sh.5,000 grown in the farm was used to feed the cattle. Out of the calves born, 2 died and their carcasses realized sh.100. The surviving calves were valued at sh. 300 each.

Prepare the cattle account (10 marks)

(b) Explain sources of income for non-profit making organizations (10 marks)

Question three

The following are extracted from the books of SGR Kenya after completion of revenue account for the year ended 31st Dec 2017

Particulars	Dr	Cr
Equity shares		100,000
6% preference shares		600,000
7% debentures		400,000
Lines open to traffic	1,704,000	
Lines in course of construction	10,000	
Lines leased	40,000	
Working stock (engines, carriages)	260,000	
Lines jointly owned	100,000	
Freehold land	25,000	

Premium on preference shares		55,000
Cash at bank	10,000	
General stores & stocks	25,000	
Net revenue account		32,000
Traffic account due to company	20,000	
Due from other companies	5,000	
Sundry outstanding a/c	7,000	
Due to other companies		4,000
Sundry creditors		30,000
Fire insurance fund		5,000
General reserve		65,000
Superannuation fund		15,000
	<u>2,206,000</u>	<u>2,206,000</u>

Additional information

1. During the year there was issue of preference shares of sh. 150 at par which were fully subscribed
2. Equity shares were also issued sh. 200,000 at a premium of 10%
3. Expenditures on line open for traffic sh. 40,000 and lines in the course of construction sh. 3,000 were made and the construction of lines jointly owned sh. 20,000

Required:

- (a) Receipts & expenditure on capital account (12 marks)
- (b) General statement of financial position (8 marks)

Question four

- (a) Actuarial Valuation of life insurance company as at 31st Dec 2019 disclosing the major liability of policies and annuities of Sh. 4, 546,000

The following balance was extracted from the books of the company.

	Sh.
Bonus in cash	90,000
Bonus in reduction of premium	4,000
Surrenders	150,000
Interests, dividends & rent received	1,000,000
Premiums	2,100,000
Claims	2,150,000
Expenses of management	200,000
Commission paid	100,000
Annuities	220,000
Consideration for annuities granted	1,100,000
Life insurance fund on 1 st Jan	3,960,000

Interim bonus Paid 100,000

The surplus is to be updated as follows

5% to shareholders

75% to policy holders

20% to be carried forward

Required

(i) Prepare the revenue a/c (10 marks)

(ii) Extracts of statement of financial position (4 marks)

(b) Explain the following terms

Surrender value (2 marks)

Annuity (2 marks)

Premium (2 marks)

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