

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
CHUKA / THARAKA**

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 413: SPECIALIZED FINANCIAL ACCOUNTING TECHNIQUES

STREAMS: BCOM (Y4S2)

TIME: 2 HOURS

DAY/DATE: THURSDAY 06/12/2018

8.30 A.M – 10.30 A.M

INSTRUCTIONS

- **Answer question one and any other two questions**
- **Do not write on the question paper**

1. (a) Describe the methods used to write off hire purchase interest. [marks]
(b) (i) Highlight the circumstances under which royalties may arise. [4 marks]
(ii) Penalties between:
(a) Hire purchase and credit sales. [2 marks]
(b) Hire purchase and renting [2 marks]

(c) Tharaka packages and containers logistics ltd sales its products on containers which are required to be returned to the company after the use of the product. The following information was provided by the company for the year ended 31st September 2018 for containers.

- opening stock for the year 2000 containers valued at ksh 500 each.
- During the year the company purchased 4,000 containers.
- The containers issued and returned by customers were 40,000 and 37,000 respectively.
- 40 containers were damaged of which 20 were repaired at a cost of ksh 100 per container.
- Purchased price per container is fixed at ksh 1,000 but on stock valuation are valued at ksh 500 per container for allowing depreciation

Required :

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|-------|---|-----------|
| (i) | Closing stock of containers at hand. | [5 marks] |
| (ii) | Closing stock containers with customers. | [3 marks] |
| (iii) | Containers stock account of the company for the year. | [8 marks] |

2. On 1st January 2017 goods costing ksh 132,000 were invoiced by Nairobi super stores to its branches at Chuka and charged at a selling price to produce a profit of 25 per cent on selling price. At the end of the month the returns from Chuka branch showed that the sales were ksh 150,000. The goods invoiced at ksh 1,200 to Chuka branch has been returned to the Nairobi super stores (head quarters) . The closing stock at Chuka branch was ksh 24,000 at the selling price. The books are closed on the last day of each month. In the books of the head quarters (Nairobi super stores.

Required :

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|-----|--------------------------------|-----------|
| (a) | Branch stock account | [7 marks] |
| (b) | Branch adjustment account | [5 marks] |
| (c) | Branch profit and loss account | [4 marks] |
| (d) | Goods sent to branch account | [4 marks] |

3. (a) Branch accounting can be either be kept at the head quarters office or at the branches keeping their own records.

- (i) Highlight any four main objectives of keeping branch accounts at the head office. [4

marks]

- (ii) Highlight the features of branch accounting. [5 marks]

- (b) On 1st January 2015 Nelson misiani purchased a machine from Nakuru plc on hire transactions are as follows:

- Cash price ksh 10,000
- Down payment on contract signing ksh 4,000
- Balance amount is payable in there installments of ksh 2,000 plus interest on the reducing balance basis.
- The interest is charged at the rate of 5%.
- Depreciation is be made at 10% p.a on written down value method.

Required :

- Nakuru plc account in the books of Nelson Misiani. [11 marks]

4. (a) Nyangara and Mumbi wrote a book of specialized financial accounting and got it published by Eastern Africa publishers on the terms that royalties will be paid at ksh 5 per copy sold subject to a minimum rent of 15,000 with a right of recoument of short-workings over the first three years of the royalties agreement. The following are the details for the years 2014, 2015, 2016 and 2017.

Year	No. of copies printed	closing stock
2014	2,000	100
2015	3,000	200
2016	4,000	400
2017	5,000	500

Required :

- (a) Analysis sheet [5 marks]
(b) Royalties account [7 marks]
(c) Short-working account [5 marks]
(d) Nyang'ara and Mumbi account. [3 marks]
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