

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DIPLOMA IN ACCOUNTING

DIAC 0222: SPECIALIZED FINANCIAL ACCOUNTING TECHNIQUES

STREAMS: DIP. ACCOUNTING Y2S1

TIME: 2 HOURS

DAY/DATE: FRIDAY 13/12/2019

11.30 A.M. – 1.30 P.M.

INSTRUCTIONS:

- **Answer question ONE and any other TWO questions only.**
- **Strictly do NOT write anything on question paper.**

1. (a) Describe the conditions under which royalties may arise. (8 marks)
- (b) In relation to hire purchase act cap 507 explain the provisions of hire purchase. (6 marks)
- (c) Starmatt Ltd with its head office in Meru with branch in Chuka has provided the following information in relation to the books of Chuka branch kept at the head office during the year ended 31st December 2018.

<u>At 1st January 2018</u>	Sh
Stock at branch	438,000
Debtors at branch	466,000
<u>At 31st December 2018</u>	
Credit sales branch	1,300,000
Cash received from debtors	1,500,000
Discount allowed to debtors	104,000
Returns by debtors	46,000
Goods sent to the branch	980,000
Cash sales at the branch	123,000
Returns to head office	18,000
Bad debts written off at branch	2,600
Cash takings remitted to head office	1,400,000
Branch expenses paid by head office	124,000
Cash stolen at the branch	10,000
Stock at branch (cost)	240,000

Required:

- (i) Chuka stock account. (6 marks)
 - (ii) Goods sent to branch account. (4 marks)
 - (iii) Debtors control account. (6 marks)
2. (a) Mwanyumba invented an electronic machine which interporates and extraporates events occurrence. He entered into a contract with Wimax K. manufacturing Ltd to produce and sell the product in the global market. It was agreed that Wimax Kenya shall pay a royalty of Sh 100 per piece subject to a minimum rent of Sh. 300,000 with right to recoup the short workings over the three years period of sale from the year 2015. The following are the details of the activities.

Year	Number of Units manufactured	Closing stock
2015	4,000	200
2016	6,000	400
2017	8,000	800
2018	10,000	1,000

Required:

- (a) Minimum rent account. (6 marks)
 - (b) Royalties account. (6 marks)
 - (c) Short workings account. (4 marks)
 - (d) Mr Mwanyumba account. (4 marks)
3. Spenomatic farm machinery sold a tractor to Mitheru farmers cooperative society on 1st January 2018 on hire purchase. The following are the details of the contract.

Hire purchase price Sh. 7,000,000

Cash price Sh. 5,800,000

Down payment deposit on hire purchase was made with deposit on hire purchase was made with deposit of Sh 1,000,000

24 monthly instalments of Sh. 250,000 each

The financial year of Spenomatic is fixed to end on 31st December each year.

The company recognizes the profit on hire purchase sales in the year of sales but hire purchase interest is appropriated on time basis.

Required:

- (a) Sales ledger account. (3 marks)

- (b) Hire purchases interest suspense account. (6 marks)
- (c) Hire purchases debtors account. (9 marks)
- (d) Extract of income statement account. (2 marks)

4. Sahara interfreight Ltd provides containers for transporting services of goods to its customers who needs them particularly in sea transport. During the year ended 30th September 2019, the company had a stock of 4,000 containers valued at sh. 100,000 each. During the year the company purchased 8,000 containers and issued 80,000 of containers to the customers. From customers it received 74,000 containers, while 80 were damaged and the company repaired 40 at a cost of Sh 20,000 per container. The company buys containers Sh. 200,000 but when in stock it is valued at Sh 100,000 for depreciation purposes.

Required:

- (a) Number of containers at hand. (5 marks)
 - (b) Number of containers with customers. (3 marks)
 - (c) Container stock account. (12 marks)
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