

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA & EMBU CAMPUSES

SECOND YEAR EXAMINATION FOR THE AWARD OF DIPLOMA IN
ACCOUNTANCY

DIAC 0222: SPECIALIZED ACCOUNTING

STREAMS: DIAC Y2S1

TIME: 2 HOURS

DAY/DATE: THURSDAY 8/08/2019

11.30 A.M - 1.30 P.M.

INSTRUCTIONS:

- Answer Question ONE and any other TWO Questions
- Do not write anything on the Question paper

QUESTION ONE

(a) Fingers Ltd leased a coal mine from Hand Ltd at a minimum rent of Kshs.150,000 per annum on which royalty fees was payable at Kshs.10,000 per tonne. There was a stipulation that short workings could only be recouped in the first three years of lease.

The output in the first four years of the lease were

2010 8 tonees
2011 13 tonees
2012 21 tonnes
2013 18 tonnes

Required:

(a) Show the entries to be made in the books of Finger Ltd in the first four years assuming the lease commenced on 1 Jan 2010.

- (i) Analysis Sheet [5 Marks]
- (ii) Royalties Payable Account [4 Marks]
- (iii) Landlords Account [5 Marks]
- (iv) Short Working Accounts [4 Marks]

(b) Differentiate between Hire Purchase and Credit sales. [3 Marks]

(c) Explain three methods of writing off Hire purchase interest in hire purchase contract. [6 Marks]

(d) Differentiate between credit back price and charge out price.

[3 Marks]

QUESTION TWO

B Chemicals Ltd deliver goods to customers in drums (which are valued in books at Kshs.30) charging them out at Kshs.60 each. Customers are credited back with Kshs.40 if the drums are returned within 6 weeks. The following information is supplied to you:

Drums in hand at beginning of year	2,000 drums
Drums with customers at beginning of year	4,200 drums
Transactions during the year:	
- Purchases at Kshs.50 each	3,000drums
- Drums sent out to customers	6,400 drums
- Drums returned by customers	4,600 drums
- Drums destroyed in accidents	60 drums
- Drums sold as scrap for Kshs.1,000	100 drums
- Repairs carried out to Drums:	2,500

At the end of the year, 3,800 drums with customers are still returnable.

Required:

Draw up the relevant accounts in the books of B. Chemicals Ltd.

- (i) Determine the retained containers [2 Marks]
- (ii) Determine the closing stock of containers at hand. [3 Marks]
- (iii) Containers Stock Account [8 Marks]
- (iv) Containers Suspense Account [7 Marks]

QUESTION THREE

XYZ Ltd acquired a car on hire purchase from ABC and the following details relate to the agreement.

Date of purchase 31st Jan 2015

Cash price Kshs.366,000

Deposit Kshs.66,000

HPP Interest Kshs.84,000

The company is to pay 24 equal monthly installments commencing on the last day of the month of sale. Interest is assumed to accrue evenly and accounts are prepared annually on 31st December every year.

Required in the seller's books;

- (i) Sales account [3 Marks]

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|-------------------------------|-----------|
| (ii) HP Interest Account | [5 Marks] |
| (iii) HP Debtor Account | [6 Marks] |
| (iv) Extract of P & L Account | [3 Marks] |
| (v) Extract of Bank Account | [3 Marks] |

QUESTION FOUR

B. Ltd, whose head office is in Mombasa, operates a branch at Malindi. All goods are purchased by head office and invoiced to and sold by the branch at cost plus 33½%. Other than a sales ledger kept in Malindi, all transactions are recorded in the books in Mombasa. The following particulars are given of the transactions at the branch during the year ended 30th June 20X7.

	Kshs.
Stock on hand, 1 st July 20X6 at invoice price	308,000
Debtors on 1 st July 20X6	276,220
Stock on hand, 30 th June 20X7 at invoice price	276,360
Goods sent from Mombasa during the year at invoice price	1,736,000
Credit sales	1,470,000
Credit sales	168,000
Returns to head office at invoice price	70,000
Invoice value of goods stolen	42,000
Bad debts written off	10,360
Cash from debtors	1,568,000
Normal loss at invoice price due to wastage	7,000
Cash discount allowed to debtors	29,960
Any further loss should be treated as a loss of cash	

Required:

As they would appear in the head office books for the year ended 30th June 20X7

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|------------------------------------|-----------|
| (i) Branch Stock Account | [8 Marks] |
| (ii) Branch Mark-up Account | [4 Marks] |
| (iii) Goods sent to Branch Account | [3 Marks] |
| (iv) Debtors Control Account | [5 Marks] |

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