

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 413:SPECIALISED FINANCIAL ACCOUNTING TECHNIQUES

STREAMS:BCOM Y4S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 4/12/2019

2.30 P.M – 4.30 P.M

### INSTRUCTIONS

Answer question one and any other two questions

### QUESTION ONE

(a) Five years ago, mobiletex ltd leased a patent for the manufacture of a gadget used in mobile phones from quickcom ltd.

The lease agreement provided for payment of royalty at the rate of ksh 50 per gadget sold with a minimum royalty of ksh 250,000 per annum. Royalties were payable on 15 March following the end of the financial year on 31 December. Short workings arising in any year were recoverable within the following two years of operations.

Mobiletex ltd sub-leased the patent to hand phone ltd. A royalty of ksh 60 per gadget produced with a minimum rent of payment of 150,000 at the end of each financial year on 31 December.

Given below is information about the number of gadgets produced by both companies in the first five years of operation.

Mobile fex ltd

Year ended	Bomiletex ltd		Hand phone ltd	
	Production	Sales	Production	Sales
	Units	Units	Units	Units
2007	1,800	1,600	800	500
2008	2,500	2,600	1,100	1,200
2009	3,500	3,600	3,000	2,500
2010	4,200	4,000	3,900	4,200
2011	6,000	5,000	4,200	4,000

### Required :

The accounts listed below in the books of mobiletex ltd.

- (a) Analysis sheets. [7 marks]
- (b) Royalty expenses (payable) account for the five years ended 31 December 2011. [4 marks]
- (c) Quickcom (landlord) account for the five years ended 31 December 2011. [5 marks]
- (d) Short workings recoverable account for the five years ended 31 December 2011.[3 marks]
- (e) Royalty income (receivable) account for the five years ended December 2011. [5 marks]
- (f) Hand phone (sub tenant) account for the five years ended 31 December 2011. [3 marks]
- (g) Short workings allowable (sub-tenant) account for the 5 years ended 31 Dec 2011. [3 marks]

## QUESTION TWO

- (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) Mikeke mituput ltd, which commenced business on 1 October 2016, supplies gas in cylinders which are billed to the customers at 750 per cylinder, the customers get a credit of ksh 600 if the cylinder is returned within 10 weeks. For the year ended 30 September 2017, the company purchased 5000 cylinders at ksh 500 per cylinder and sent 15,000 cylinder 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 ksh 400,000 on maintenance and repairs of the cylinders and considered them to be worth ksh 400 each on 30 September, 2017.

### Required :

- (a) The cylinders stock account. [7 marks]
- (b) The cylinders suspense account [5 marks]
- (c) Profit reconciliation [4 marks]

## QUESTION THREE

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

Date of purchase 1<sup>st</sup> Jan 2015

Cash price ksh 366,000

Deposit ksh 66,000

HPP interest ksh 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 31<sup>st</sup> Dec every year.

**Required :**

Sales account	[3 marks]
HP interest suspense account	[5 marks]
HP debtors account	[6 marks]
Extract of P&L account	[3 marks]
Extract of Bank account	[3 marks]

**QUESTION FOUR**

Awani enterprise is a large supermarket having branches in various counties in Kenya. The head office in Mombasa purchases all the goods, maintains all branch records and charges goods to branches at cost.

The following information was extracted from Mombasa head office for Taita Taveta branch for the year ended 30<sup>th</sup> September 2017.

<b>Particulars</b>	<b>Ksh</b>
1 <sup>st</sup> October 2016	
Stock at cost	219,840
Debtors	233,580
For the year ended 31 <sup>st</sup> September 2017	
Credit sales	675,000
Cash received from debtors	774,000
Discount allowed to debtors	57,000
Debtors returns	23,400
Stock sent at cost from headquarters	549,300
Cash sales	66,660
Return to head office	9,420
Bad debts written off	1,320
Cash taking sent to headquarters	750,000

Expenses paid by headquarters	62,400
Goods stolen (uninsured)	5,400
Cash taking stolen (insured)	9,000
Stock at cost	153,000

**Required ;**

Accounts ledgers in the head quarters;

- (a) Taita Taveta branch stock account. [8 marks]
  - (b) Goods sent to branch account. [3 marks]
  - (c) Debtors control account [6 marks]
  - (d) Branch profit and loss account [1 mark]
  - (e) Pilferage accounts [2 marks]
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