

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BCOM 413: SPECIALIZED FINANCIAL ACCOUNTING TECHNIQUES

STREAMS: BCOM

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 06/12/2017

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

- ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS
- DO NOT WRIT ON THE QUESTION PAPER

1. (a) Distinguish between hire purchase and credit sales. [3 marks]
- (b) Explain the accounting entries in respect of the transactions of returnable containers. [6 marks]
- (c) Farm machineries ltd sale different farm machine in East Africa. On 1st January 2015 they sold a diesel generator to Nemwel Nyamwaro on hire purchase agreement made on a down payment of sh. 75,000. The 15 equal installment was agreed on monthly basis of sh. 8,950. The cash price of the generator was sh. 186, 000.
- The company recognizes the profits on hire purchase sales in the period of sale and deferring the interest earning on time basis. The company closes the books on 31stDecember.

Required:

- (i) Nemwel Nyamwaro account. [6 marks]
- (ii) Hire purchase generator sales account. [5 marks]
- (iii) Hire purchase interest suspense A/c. [7 marks]

BCOM 413

(d) In reference to international accounting standard No. 11 briefly explain the recommended methods of accounting for contracts. [3 marks]

2. Kitui coal mine ltd leased coal mine for 5 years from Tharaka land owners association from 1st January 2012 on a royalty of sh 100 per ton. The minimum rent of sh. 500, 000 was agreed upon per annum. The power to recoup short workings was fixed on the first 3 years of lease. The annual output was as follows:-

| | |
|------|-----------|
| 2012 | 3000 tons |
| 2013 | 5000 tons |
| 2014 | 6000 tons |
| 2015 | 7000 tons |
| 2016 | 6000 tons |

The Kitui coal mine closes its books on 31st December each year

Required:

- (a) Royalty payable account [7 marks]
- (b) Landlord account [7 marks]
- (c) Short working account. [6 marks]

3. In relation to insurance accounting

- (a) Explain the basic objectives of stock accounting system. [6 marks]
- (b) Describe the basic concept average clause. [5 marks]
- (c) Describe the accounting procedures adopted in computing consequential loss claim. [9 marks]

4. (a) Bwani enterprises 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 30th September 2017.

BCOM 413

| | Particulars | Sh. |
|------------------|---------------------------------------|------------|
| 1 st | October 2016: | |
| | Stock at cost | 219,840 |
| | Debtors | 233,580 |
| 31 st | 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 head quarters | 549,300 |
| | Cash sales | 66,660 |
| | Returns to head office | 9,420 |
| | Bad debts written off | 1,320 |
| | Cash taking sent to head quarters | 750,000 |
| | Expenses paid by head quarters | 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) | TaitaTaveta branch stock account. | [8 marks] |
| (b) | Goods sent to branch account | [3 marks] |
| (c) | Debtors control account | [6 marks] |
| (d) | Branch expense account | [1 mark] |
| (e) | Pilferage accounts | [2 marks] |