

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DIPLOMA IN ACCOUNTING

DIAC 0222: SPECIALIZED ACCOUNTING

STREAMS: DIPLOMA Y2S1

TIME: 2 HOURS

DAY/DATE: TUESDAY 07/08/2018

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

- Answer questions ONE and any other TWO.

(a) The following was the Balance Sheet of P and Q as at 31st Dec 2017.

<u>Assets</u>	Sh	Sh	Sh
Plant and machinery			280,000
Motor vehicles			120,000
Furniture			<u>30,000</u>
			430,0000
<u>Current Assets</u>			
Stock		50,000	
Debtors		25,000	
Bank		15,000	
Investments		<u>70,000</u>	
		160,000	
<u>Current Liabilities</u>			
Creditors		<u>(45,000)</u>	<u>115,000</u>
			<u>545,000</u>
<u>Financed by</u>			
Capital Accounts P			200,000
Q			150,000
			<u>350,0000</u>
Current Accounts P		60,000	
Q		<u>(15,000)</u>	45,000
Loan from R			<u>150,000</u>
			<u>545,000</u>

The firm was dissolved on 31st Dec 2017. The additional information provided as below.

(i) The assets realized as

Plant and machinery	260,000
Motor vehicles	130,000
Investments	80,000
Stocks	45,000
Debtors	22,000
Furniture	25,000

(ii) The expenses of realization amounted to Sh. 2,000

(iii) The creditors agreed to accept Sh. 4,200

(iv) The profit and loss sharing ratios of P and Q were 3.2 respectively.

Required:

- (i) Prepare realization account. (6 marks)
- (ii) Bank account. (6 marks)
- (iii) Partners capital accounts. (6 marks)
- (iv) Write off the asset and liabilities accounts. (4 marks)
- (b) Explain Gurner vs Murray law in partnership dissolution. (4 marks)
- (c) Explain characteristics of a joint venture. (4 marks)

Question two

- (a) ABC Ltd acquired the rights to remove gravels from land owned by Dennis. The agreement provided for the payment of royalty of Sh. 0.4 per tonne of gravel removed. The minimum payment of Sh. 2,000 per annum and recoupment of short workings right to be exercised at the end of year three.

During the first 4 years of the contract, the following quantities of gravel were removed.

Year 1	4,000 tonnes
Year 2	4,800 tonnes
Year 3	5,400 tonnes
Year 4	5,600 tonnes

The company's accounting year ends on 31st Dec and payment to dennis made on 1st Feb following

Required:

- (i) Analysis sheet (5 marks)
- (ii) Royalties payable account (4 marks)
- (iii) Landlords account (6 marks)
- (iv) Short workings account (5 marks)

Question three

- (a) X and Y entered into a joint venture agreeing to share profits in the ratio 3:2 respectively and the following took place

X purchased goods	Sh. 80,000
Y paid carriage and freight	Sh. 2,000
Y sold goods	Sh. 45,000
Y paid commission sale	Sh. 1,500
X paid storage fees amounting to	Sh. 2,500
X sold remaining goods	Sh. 60,000
X paid commission and carriage	Sh. 1,000

Required (i) Show the joint venture accounts as they would appear in the books of X and Y. (8

marks)

- (ii) Memorandum joint venture account (4 marks)

- (b) Explain the following terms as used in investment accounts.

- | | |
|--------------------|-----------|
| (i) Hire purchase | (2 marks) |
| (ii) Ex- Dividend | (2 marks) |
| (iii) Cum-Dividend | (2 marks) |
| (iv) Rights issue | (2 marks) |