
CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BCOM 413: SPECIALIZED FINANCIAL ACCOUNTING TECHNIQUES

STREAMS: BCOM (Y4S1) ODEL

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 15/04/2020

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

Answer question ONE and any other TWO questions

QUESTION ONE

- (a) ABC ltd obtained a 20 year lease of land from GHl ltd. effective from 1 January 2009, for the purposes of extracting marble. The lease provided for the payment of a royalty of sh. 100 for every ton of marble extracted with a minimum rent of sh. 200,000 per year, payable annually on the 31 Dec of the year to which the payment relates. Provision was made for short workings to be recouped out of subsequent excess workings during the first four years.

ABC ltd granted a sub-lease of one third of the area of land in question to XYZ ltd. For 12 years effective from 1 January 2010. XYZ ltd was to pay a royalty of sh. 125 per ton of marble extracted merging into a minimum rent of sh. 80,000 per year. This royalty was to be payable on the 31 Dec at the year end to which the royalty related. The sub-lease provided for short workings to be recouped out of any subsequent excess workings within two years of the end of the year in which the short-workings occurred. The financial years of ABC ltd, GHl ltd and XYZ ltd end on 31 December.

BCOM 413

The quantities of marble extracted were as follows:

Year ended 31 December	ABC ltd Tons	XYZ ltd Tons
2009	1,200	-
2010	1,300	560
2011	1,700	680
2012	1,800	660
2013	2,000	720

Required:

The following accounts in the books of ABC ltd. for each of the five years ended 31 December 2009, 2010, 2011, 2012 and 2013:

- (a) Analysis sheets [5 marks]
- (b) Royalties payable account [5 marks]
- (c) GHl ltd account (Landlord) [5 marks]
- (d) Royalties receivable account [5 marks]
- (e) Short-workings accounts [5 marks]
- (f) XYZ ltd account (sub-tenant) [5 marks]

QUESTION TWO

- (a) Explain the term Royalties and explain three main types of royalties [5 marks]
- (b) A firm sells its products in container purchased at sh. 20 each. Customers are charged at sh. 24 per container and are allowed sh. 16 for each container returned in good time. For stock taking purposes, all containers in the factory and in the hands of customers are valued at sh. 14 each.

The following transactions took place in the year

In the factory at 1 January 2018	9,000 containers
With customers at 1 Jan 2018 (Returnable)	9,700 containers
With customers at 31 Dec 2018 (Returnable)	5,800 containers
Purchased during the year ended 31 Dec 18	12,000 containers
Sent to customers during the year	20,000 containers
Returned back by customers during the year	13,600 containers

From the following information;

BCOM 413

1. Determine the closing stock of containers at hand [3 marks]
 2. Containers stock account [6 marks]
 3. Containers suspense A/C for the year ended 31 Dec 2018 [4 marks]
- (c) Once the business is large enough, it opens the branches within the city, town, and county or within the country and such branches needs to be accounted for. Explain two types of branches in the context of accounting branches. [2 marks]

QUESTION THREE

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

Date of purchase 1st Jan 2015

Cash price sh 366,000

Deposit sh 66,000

HPP interest sh 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 Dec every year.

Required:

- (i) Sales account [2 marks]
 - (ii) HP interest suspense account [4 marks]
 - (iii) HP debtors account [4 marks]
 - (iv) Extract of P&L account [2 marks]
 - (v) Extract of Bank account [2 marks]
- (b) Explain three methods of writing of Hire Purchase Interest [6 marks]

QUESTION FOUR

BCOM 413

- (a) 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 33 $\frac{1}{3}$ %. 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.

	Shs.
Stock on hand, 1 st July 2X16 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
Cash sales	168,000
Returns to head office at invoice price	70,000
Invoice value of goods stolen	42,000
Bad debtors 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:

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|------------------------------------|-----------|
| (i) Branch stock account | [5 marks] |
| (ii) Branch markup account | [4 marks] |
| (iii) Goods sent to branch account | [3 marks] |
| (iv) Branch total debtors account | [4 marks] |

For the year ended 30th June 20X7 as they would appear in the head office books

- (b) Explain the following terminologies as used in containers accounts
- | | |
|------------------------|-----------|
| (i) Credit bank price | [2 marks] |
| (ii) Depreciated value | [2 marks] |