

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BCOM 418: ADVANCED SPECIALIZED FINANCIAL ACCOUNTING TECHNIQUES

STREAMS: BCOM (Y4S2)

TIME: 2 HOURS

DAY/DATE: MONDAY 06/04/2020

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

- Answer question ONE and any other TWO questions
- Do not write anything in this question paper

QUESTION ONE

- (a) The Turkana Wind Power Electricity Company (TUWIPCO) is a public company where the government is the main shareholder. The company has provided the following data, during the year ended 31st December 2019

Authorized capital	Sh 9,000,000
Issued and subscribed capital	Sh 7,800,000
10% African Development bank loan	Sh 1,200,000
Trade creditors	Sh 480,000
General reserves	Sh 450,000
Sundry debtors	Sh 1, 140,000
Cash at bank	Sh 1,050,000
Reserves for investments	Sh 450,000
Closing stocks	Sh 720,000

The expenditure on 31st December 2018 were as follows:

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Land and buildings	Sh 360,000
Constructions of wind mills	Sh 4,050,000
Plant and machinery	Sh 1,200,000
Transformers installations	Sh 390,000

The expenditure incurred for the current year ended on 31st December 2019 were as follows:

Windmills constructions	Sh 750,000
Plant and machinery	Sh 750,000
Transformers installations	Sh 300,000
Revolving funds	Sh 750,000
Company profits as balance	Sh 480,000

Required:

- (i) Capital account for the year ended 31st December 2019 [10 marks]
- (ii) General statement of financial position as at 31st December 2019 [8 marks]

- (b) Explain the main objective of Human Resource Accounting [6 marks]
- (c) In relation to international accounting standards highlight how notional profits is credit to profit and loss account. [6 marks]

QUESTION TWO

The following data was provided by Gesima farmers' cooperative society, during the year ended 31st December 2019. The society carries out four types of farming activities namely; Crops growing, Daily farming, poultry and fishing.

Particulars	Opening stocks (ksh 000)	Closing stocks (ksh 000)	
Crops	4,000	5,000	
Growing crops	3,000	4,500	
Seeds	2,000	2,500	
Cattle	75,000	105,000	
Cattle food	10,000	5,500	
Poultry	9,000	13,500	
Poultry food	1,000	2,000	
Fish	2,000	3,200	
Fertilizers	5,000	3,000	
Purchases for the year		Sales for the year	
Particulars	Ksh 000	Particulars	Ksh 000

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Poultry	15,000	Butter	1,500
Seeds	1,500	Milk	9,000
Cattle	40,000	Eggs	13,000
Fish	1,000	Crops	21,000
Cattle food	14,000	Flowers	1,500
Fertilizers	3,500	Fruits	4,000
Poultry	3,000	Cattle	36,000
		Poultry	14,000
		Fish	6,000
		Vegetables	5,000

Farm expenditure for the year		Farmers personal consumptions from the farm	
Particulars	Ksh 000	Particulars	Ksh 000
Wages	23,500	Butter	400
Insurance	1,500	Milk	2,500
Depreciation	2,000	Eggs	500
Repairs	1,200	Vegetables	600
		Poultry	200
		Fish	100
		Fruits	300

Required:

- (a) Farm account (4 column for crop, daily, poultry and fish combined) [12 marks]
- (b) Income statement of the Farm for the year ended 31st December 2019 [8 marks]

QUESTION THREE

Chogoria Group of supermarkets insured its stocks for sh 480,000. On 1st December 2019 their stocks were burned by fire. After the fire incidence the following information were extracted:

Balances on 1st January 2019	Sh
Provisions for bad debts	120,000
Stock on hand	600,000
Creditors	480,000
Debtors balance	608,000

Balance as at 30th November 2019	
Cash sales	100,000
Sundry debtors	600,000
Sundry creditors	360,000
Discount allowed	12,000

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Discount received	8,000
Cash purchases	56,000
Sales return	20,000
Purchases returns	16,000
Trade creditors payments	800,000
Debtors cash received	1,400,000
Bad debts written off	4,000

A physical count of stock on 1st December 2019 was valued on the net realizable value of sh 28,400.

The management estimated that the company operated with average gross profit percentage of 30% for the last 4 years. The stock destroyed by fire as per insurance policy is to be recovered by the insurance company on cost price.

Required:

- (a) Total sales and purchases as at 1st December 2019 [10 marks]
- (b) Estimated trading account of the company for the year as on 1st December 2019 [7 marks]
- (c) Amount of insurance claim [3 marks]

QUESTION FOUR

Modern contractors have undertaken the construction of Kasarani-Mwiki-Njiru road at a cost of sh 250,000,000 on 1st January 2019. The following are the details of the contract:

Particulars	Ksh 000
Materials sent to site	85,349
Labour cost engaged at site	74,375
Plant at site on cost	15,000
Direct expenditure	3,167
Establishment charges	4,126

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Material returned to store	549
Work certified	195,000
Cost of work not certified	4,500
Material in hand as at 31 st December 2019	1,883
Wages accrued on 31 st December 2019	2,400
Direct expenditures accrued on 31 st December 2019	240
Value of plant on 31 st December 2019	11,000
Cash received from contractee	180,000

Required:

- (i) Contract account for the year ended 31st December 2019 [12 marks]
 - (ii) Extract the statement of financial position as at 31st December 2019 [8 marks]
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