



(University of Choice)

**MASINDE MULIRO UNIVERSITY OF
SCIENCE AND TECHNOLOGY
(MMUST)**

**MAIN CAMPUS/BUNGOMA CAMPUS/WEBUYE CAMPUS
UNIVERSITY SUPPLEMENTARY EXAMINATIONS
2016/2017 ACADEMIC YEAR**

**THIRD YEAR SEMESTER TWO EXAMINATIONS
FOR THE DEGREE
OF
BACHELOR OF COMMERCE**

COURSE CODE: BCA 319

COURSE TITLE: ADVANCED FINANCIAL ACCOUNTING

DATE: Wednesday 27th September 2017 TIME: 4pm -6pm

INSTRUCTIONS TO CANDIDATES

Attempt QUESTION ONE and any other two questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.



QUESTION ONE(30MARKS)

A and B are partners in a business. A runs a head office in Mombasa and B runs a branch in Malindi. Separate books are maintained for the head office and the branch. Profits and loses are shared equally. The trial balances as at 30th June 2016 were as follows:

	Head Office		Branch	
	Sh	Sh	Sh	Sh
Property plant and equipment (NBV)	760,000		308,000	
Stocks at 1 July 2015:				
- Head office at cost	560,000			
- Branch at transfer price			340,000	
Goods sent to branch/from head office		1,430,800	1,398,800	
Debtors	348,960		78,080	
Sales		3,880,400		2,388,000
Bank and cash	612,280		115,360	
Purchases	3,918,000			
Remittances		2,247,600	2,257,200	
General expenses	680,000		400,000	
Branch current a/c/ Head office current a/c	2,530,640			2,498,640
Creditors		324,680		10,800
Capital at 1 July 2015 (held equally)		1,492,400		
Provision for unearned profit		<u>34,000</u>		
	<u>9,409,880</u>	<u>9,409,880</u>	<u>4,897,440</u>	<u>4,897,440</u>

Notes:

a) Mombasa invoices goods to Malindi at cost plus one ninth

b) At 30th June 2016:

- Stocks at head office at cost Sh 508,000
- Stocks at the branch at transfer price Sh 192,000
- Stocks in transit at transfer price Sh 32,000
- Cash in transit to head office Sh 9,600

Required:

Prepare an incomes statement for the year ended 30th June 2016 and a balance sheet as at that date, separately for

- The head office (10 marks)
- The branch(10 marks)
- The combined entity(10 marks)

QUESTION TWO(20 MARKS)

Jaggi owes to Kamath Kshs. 24,000. The debt is discharged by Jaggi on let May, 2011 by accepting three bills of exchange drawn on him by Kamath—one for Kshs. 6,000 at 2 months,

another for Kshs. 8,000 at 3 months and the third for Kshs. 10,000 at 4 months. The first bill is endorsed by Kamath in favour of Pass. his creditor. The second bill is discounted on 4th May at the bank at 88% p.s. All the bills are dishonoured, noting charges in each case being Kshs. 10.

Give ledger accounts in the books of books Jaggi and Kamath, (20 marks)

QUESTION THREE (20 MARKS)

The Trading and Loss Account of T, V and Radio Equipments Co., for the six months ended 31st March, 2012 is presented to you in the following form

Purchases:		Sales.	
TV. Sets (A)	14,07,000	TV. Sets (A)	15,000
Radio Sets (B)	9,06,000	Radio Sets (B)	10,00,000
Spare Parts for Servicing (C)	6,44,000	Receipts from Servicing	
Salaries and Wages	4,80,000	and Repair Jobs	2,50,000
Rent	1,08,000	Stocks on 31st March, 2012:	
Sundry Expenses	1,10,000	TV. Sets (A)	6,01,000
Profit	<u>3,45,000</u>	Radio Sets (B)	2,03,000
		Spare Parts for Servicing (C)	<u>4,46,000</u>
	<u>40,00,000</u>		<u>40,00,000</u>

Additional Information

- TV. sets and radio sets sold at the showroom; servicing and repairs are carried out as the workshop
 - Salaries and wages comprises as follows, Showroom $\frac{3}{4}$, Workshop $\frac{1}{4}$. It was decided to allocate the showroom salaries and wages in the ratio 1 : 2 between the Departments A and B
 - The workshop rent is 5,000 per month, The rent of the showrooms is to be divided equally between A and B.
 - Sundry expenses are to be allocated on the basis of the turnover of each Department.
- Prepare departmental Accounts for each of the three departments A, B and C mentioned above after taking into consideration the Information above.

QUESTION FOUR (20 MARKS)

- List the essential features of a bill of exchange. (6 marks)
- Differentiate between (6 marks)
 - Trade bill and accommodation bill
 - Retiring a bill and renewal of a bill
 - A time bill and a demand bill
- The following information relates to Juma a trader for the month of May 2016.

May 5. He drew three bills on B for sh. 500, sh. 400 and sh. 300 payable at 4, 3, and 2 months respectively.

May 12. He endorsed his first bill in favour of his customer C at sh. 475

May 19. He discounted the second bill with his banker for sh. 380

May 26. He was paid the proceeds of the third bill at a rebate of 5% on the total amount of the bill.

On the due dates the first and the second bills were dishonoured but the third one was paid

Required ; journal entries as would appear in Jumas books. (8marks)