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**MASINDE MULIRO UNIVERSITY OF SCIENCE AND
TECHNOLOGY**

(MMUST)

MAIN/BUNGOMA/WEBUYE/ CAMPUS

UNIVERSITY EXAMINATIONS

2021 /2022 ACADEMIC YEAR

FORTH YEAR FIRST SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: BCA 319

COURSE TITLE: ADVANCED ACCOUNTING

DATE: Friday 22ND APRIL 2022

TIME: 8-10AM

INSTRUCTIONS TO CANDIDATES

Answer **QUESTION ONE** and **ANY OTHER TWO** questions.

TIME: 2 HOURS

MMUST observes **ZERO** tolerance to examination cheating ▲

This Paper Consists of 4 Printed Pages. Please Turn Over.

QUESTION ONE COMPULSORY (30 MARKS)

- a) Discuss the setup of International Accounting Standards Board (IASB), highlighting the various components and the functions of each. (8 marks)
- b) Explain the advantages of preparing departmental accounts (5 marks)
- c) Explain why goods are normally marked at invoice price by the head office while sending them to the branch? (5 marks)
- d) The regulation of the form and content of financial statements is unnecessary because a free market in financial information would provide all the relevant information that shareholders in an enterprise may require. Discuss. (5 marks)
- e) Highlight what to consider in grouping related products and services into business segments according to IAS 14 (segment reporting). (4 marks)
- f) What is meant by due date of a bill of exchange? How do you calculate it? Give two examples. (3 marks)

QUESTION TWO (20 MARKS)

ABC Ltd has two departments A and B. You are required to prepare the trading, profit or loss account for each department for the year ended 31st January 2022 on the basis of the following information.

	Dept. A Sh.	Dept. B Sh.
Opening stock (1-2-2021)	25,000	20,000
Purchases	230,000	190,000
Sales	633,000	492,000
Sales returns	3,000	2,000
Closing stock (31-1-2022)	30,000	18,000
Wages	80,000	60,000
Salaries	40,000	25,000

Other Common Expenses:

Rent	Sh. 25,000
Electricity	6,000
Depreciation	18,000
Selling expenses	8,000

Some other relevant information are given below:

Light points	Dept. A 18	Dept. B 9
Value of Assets (Shs.)	150,000	120,000
Floor area (sq. mtrs)	300	200

QUESTION THREE (20 MARKS)

- a) Explain the essentials of a bill of exchange. (6 marks)

- b) On 1st January 2022, Patty draws a bill of exchange on Sarah for Sh. 4,000 for a period of three months. Sarah accepts it and returns to Patty. Patty then endorses it to Ahmed on 1st February 2022. The bill is then discounted by Ahmed on the same date with his banker at 5% per annum. On the due date, the bill is dishonoured.

Required:

Pass the necessary Journal entries in the books of all the parties involved in the bill transaction. (14 marks)

QUESTION FOUR (20 MARKS)

MMUST Traders Ltd, has its Head office at Kakamega and Branch at Bungoma. The branch is authorized to have independent transactions. It maintains a complete set of accounts.

The trial balance of Bungoma Branch at 31st January 2022 is given below:

	Debit Sh.	Credit Sh.
Sales	-	360,000
Purchases	130,000	-
Goods from Head office	124,000	-
Stock	60,000	-
Wages	66,000	-
Carriage	25,200	-
Salaries	18,000	-
Rent	9,600	-
Office expenses	9,200	-
Cash in hand	4,000	-
Debtors/Creditors	3,200	24,000
Head office	-----	94,000
	478,000	478,000

On 31st January 2022, stock was valued at Sh. 98,000. The Head office revealed Debit balance in branch account Sh. 108,000.

The analysis revealed the following:

- a) Sh. 8,000 remitted by Bungoma branch on 29th January 2022 was received by head office on 2nd February 2022.
 b) Goods worth Sh. 6,000 sent by head office on 28th January 2022 was received by Bungoma branch on 3rd February 2022.

You are required to:

- i) Pass Journal entries incorporating branch account.
- ii) Prepare Bungoma branch account in the books of Kakamega head office.
- iii) Prepare Branch Trading, Profit and Loss account for the year ended 31st January 2022.
- iv) Branch Balance Sheet as at 31st January 2022. (5 marks each=20 marks)