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

MAIN/BUNGOMA/NAIROBI/WEBUYE CAMPUS

**UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR**

**THIRD YEAR SPECIAL/SUPPLEMENTARY EXAMINATION
FOR THE DEGREE
OF
BACHELOR OF COMMERCE/BSc. ACCOUNTING**

COURSE CODE: BCA 319

COURSE TITLE: ADVANCED FINANCIAL ACCOUNTING

DATE: MONDAY, 1ST AUGUST 2022

TIME: 2-4PM

INSTRUCTIONS TO CANDIDATES

Answer QUESTION ONE and ANY OTHER TWO (2) questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

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

QUESTION ONE (30 MARKS)

- a) Explain the following as used in Bills of exchange in accounting
- i) Days of grace (3mks)
 - ii) Accommodation Bills (3mks)
- b) Explain the following as used in accounting for retirement benefits (IAS 19)
- i) Defined contributory scheme (3mks)
 - ii) Defined benefit scheme (3mks)
- c) Describe the three main ways of accounting for branches (6mks)
- d) Define International Accounting Standards(IASs) and highlight its advantages (5mks)
- e) In accounting for changes in price levels distinguish between historical cost system and current purchasing power (4mks)

QUESTION TWO (20 MARKS)

On 1st January 2017 Kamau sold goods to Leonard on credit sh 50,000 and drew up a 90 day bill on him. Leonard accepted the bill and 2nd January 2017 the bill was discounted at 10% with a local banker. On maturity the bill was dishonored and noting charges amounted to sh 500. On 1st April 2017 another bill was drawn with an interest of 12.5% on the outstanding amount. The second bill was honored on 1st June 2017.

Required: Ledger Accounts in Drawers and Acceptors books (20mks)

QUESTION THREE (20 MARKS)

Asali Traders have two departments A and B. The following balances were extracted from their books on 31st March 2016.

		Shs.
Sales	A	800,000
	B	500,000
Stock 1.4.2015	A	12,500
	B	10,000
Purchases	A	590,000
	B	410,000
Wages	A	50,000
	B	37,500
Carriage outwards	A	7,500
Office salaries		37,500
Rates		6,500
Fire insurance		2,500
Light and air conditioning	A	1,200
	B	4,800
Repairs to premises		1,250
Accountancy fees		6,000

General office expenses	3,000
Cleaning	1,500

Additional information

- i) The stocks as at 31st march 2016 A Sh 15,000 B Ss 7,500
- ii) Department A occupies 1/5th of the total floor area and B the rest
- iii) Overheads are to be apportioned as follows: General office expenses, salaries accountancy fee in proportion to the sales .Rates, fire insurance, lighting, air conditioning repairs and cleaning in proportion to the floor area.

Required: Statement of comprehensive income for the year ended 31st march 2016
(20marks)

QUESTION FOUR (20 MARKS)

a) Give the features of Branch stock account (4mks)

b) XY operates a branch at Nakuru. The following information relates to Nakuru branch for the year ending 31.12.2016

Branch stock b/f	55,000
Branch debtors b/f	40,000
Closing balance branch stock at cost	70,000

Transactions during the year

	Shs.
Goods sent by Head office at cost	600,000
Goods returned to head office	15,000
Cash sales	250,000
Credit sales	700,000
Goods stolen at branch	5,000
Cash stolen at branch	3,500
Returns from branch debtors at selling price	30,000
Cash from branch debtors	630,000
Discount allowed to debtors	12,000
Bad debts written off	7,500

Expenses paid by head office	
Salaries	40,000
Rent and rates	25,000
General expenses	13,000

Required: Prepare necessary accounts in the head office (16mks)

