



*(University of Choice)*

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

**UNIVERSITY EXAMINATIONS  
2016/2017 ACADEMIC YEAR**

**UNIVERSITY EXAMINATIONS  
THIRD YEAR FIRST SEMESTER  
FOR THE DEGREE  
OF  
BACHELOR OF COMMERCE**

**COURSE CODE: BCA 302:  
COURSE TITLE: SPECIAL ACCOUNTS**

**DATE:**

**TIME :**

---

**INSTRUCTIONS TO CANDIDATES**

1. Answer question **one** compulsory and any other **two** questions

TIME: 2 HOUR

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 6 Printed Pages. Please Turn Over.



**QUESTION ONE (30 Marks)**

- (a) Give any four objectives of farm accounting. (4 marks)  
 (b) Explain any five features of farm transactions. (5 marks)  
 (c) The following information was extracted from the books of Wafula, a farmer, for the year ended 31 March 2016:

Trial Balance as at 31 March 2016

	<b>Sh.</b>	<b>Sh.</b>
Purchases:		
Poultry	420,000	
Dairy cattle	1,380,000	
Dairy cattle feed	580,000	
Poultry	150,000	
Fertilizers	220,000	
Seeds	100,000	
Sales:		
Crops		2,740,000
Dairy cattle		2,500,000
Eggs		720,000
Poultry		1,640,000
Milk		1,210,000
Opening stock:		
Mature crops	350,000	
Growing crops	120,000	
Seeds	80,000	
Poultry feed	50,000	
Fertilizers	110,000	
Poultry	230,000	
Dairy cattle feed	180,000	
Dairy cattle	520,000	
Wages:		
Poultry	600,000	
Dairy cattle	960,000	
Crops	720,000	
Repairs of farm machinery	250,000	
Farm house expenses	180,000	
Office expenses	825,000	
Crop expenses	280,000	
Dairy cattle expenses	240,000	
Poultry expenses	450,000	
Farm machinery (Net book value)	2,500,000	
Office furniture (Net book value)	1,500,000	
Drawings in cash	600,000	
Capital account		4,800,000
Debtors	675,000	

Creditors		780,000
Cash in hand and bank balances	350,000	
Accruals		<u>230,000</u>
	<u>16,620,000</u>	<u>16,620,000</u>

**Additional information:**

- During the year ended 31 March 2016, the proprietor and the workers consumed items of the following values.

	<b>Proprietor</b>	<b>Workers</b>
	<b>Sh.</b>	<b>Sh.</b>
Poultry	50,000	120,000
Milk	80,000	170,000
Crops	20,000	60,000

- Farm machinery is depreciated at the rate of 10% per annum on the reducing balance basis while furniture (which initially cost Sh.3,000,000) is depreciated at 10% per annum on cost.
- On 31 March 2016, the closing stocks were as follows:

	<b>Sh.</b>
Dairy cattle	480,000
Dairy cattle feed	150,000
Mature crops	270,000
Seeds	40,000
Poultry	140,000
Poultry feed	70,000
Fertilizers	80,000
Growing crops	160,000

**Required:**

- Crop account, poultry account and dairy account for the year ended 31 March 2016. (12 marks)
- General profit and loss account for the year ended 31 March 2016. (3 marks)
- Statement of financial position as at 31 March 2016. (6 marks)

**QUESTION TWO (20 Marks)**

- Define the following terms as used under insurance. (4 Marks)
  - Whole life policy.
  - Endowment life policy.
  - Surrender value.
  - Reinsurance.
- The following balances were extracted from the books of ABC Marine Insurance Company Ltd. on 30 April 2016.

	<b>Sh.</b>
Premium less re-insurance	14,791,500
Commission on direct business	660,000
Commission on re-insurance ceded	78,000
Commission on re-insurance accepted	57,000
Depreciation	96,000
Loss on sale of investment	150,000
Claims paid less re-insurance	7,560,000
Claims recovered under re-insurance not adjusted	300,000
Directors remuneration	450,000
Interest and dividends (net) not relating to any fund	412,500
Reserves for unexpired risk on 1 May 2015	11,700,000
Additional reserve on 1 May 2015	1,170,000
Claims outstanding on 1 May 2015	567,000
Claims outstanding on 30 April 2016	687,000
Tax deducted from interest and dividends	120,000
Salaries	960,000
Rent and rates	87,000
Postage and stationery	129,000
Surveyors fees and legal charges for settlement of claims	300,000
Profit and loss appropriation account 1 May 2015	2,925,000

The following additional information is available:

1. Reserves for unexpired risks to be maintained at 100% of the net premium income.
2. Additional reserves of 10% on the said premium is also to be maintained.
3. Provision for taxation to be made for the year Sh. 912,450
4. Investment reserve to be increased by Sh. 225,000.

**Required:**

- (a) Revenue account for the year ended 30 April 2016. (10 marks)
- (b) The profit and loss account for the year ended 30 April 2016 (6 marks)

**QUESTION THREE (20 Marks)**

The following balances were extracted from the books of Fedha Commercial Bank Ltd. on 30 June 2016.

	<b>Sh.'000'</b>
Government securities	1,172,000
Loans and advances to customers	2,973,200
Cash and balances with Central bank	628,500
Other money market placements	17,300
Property, plant and equipment	504,000
Interest on loans and advances	435,400
Interest on Government securities	238,200
Foreign exchange income	72,000
Fees and commissions income	170,200

Deposits with other banks	115,000
Other fixed assets	32,000
Interest on placement and bank balances	36,000
Non-operating income	17,000
Customers deposits	4,240,000
Deposits and balances due to other banks	215,000
Depreciation expense	42,000
Directors emoluments	12,500
Bad and doubtful debts expense	34,000
Interim dividends paid	25,000
Staff costs	295,000
Interest on customers deposits	115,000
Interest on borrowed funds	35,000
Ordinary share capital	250,000
Auditors remuneration	3,500
Contribution to staff provident fund	14,500
Loss on sale of fixed assets	21,800
General administration expenses	142,500
Reserves	529,000
Legal and professional fees.	20,000

**Additional information:**

1. Current tax has been estimated at Sh.120,000,000
2. Final dividends have been proposed at 10%.
3. Accrued interest expense on customers' deposits at 30 June 2015 was Sh.30,000,000.
4. Unrecorded interest income on loans and advances to customers was Sh.150,000,000 at 30 June 2016.

**Required:**

- (a) Profit and loss account for the year ended 30 June 2016. (14 marks)
- (b) Balance sheet as at 30 June 2016. (6 marks)

**NB: The financial statements are to be prepared in accordance with IAS 30.**

**QUESTION FOUR (20 Marks)**

- (a) Briefly explain the following terms as used in the accounts of professional practitioners:
- (i) Office account (2 marks)
  - (ii) Client account (2 marks)
  - (iii) Costs charged to clients (2 marks)
  - (iv) Work-in-progress. (2 marks)

- (b) Given below is a trial balance extracted from the books of Onsando, a firm of practicing advocates as at 31 October 2015:

<b>Onsando Advocates</b>			
<b>Trial Balance</b>			
	<b>Sh.</b>		<b>Sh.</b>
Capital account			204,000
Disbursements on behalf of clients	12,000		
Drawings	60,000		
Salaries	72,000		
Rent and rates	60,000		
Printing and stationery	35,000		
Postage and telephone	18,200		
Costs charged to clients			250,000
Work in progress on 1 November 2014	36,800		
Clients: for the moneys held on their behalf			24,800
Creditors			27,200
Debtors	78,000		
Sundry office expenses	8,500		
Furniture, fittings and library books	45,000		
Cash at bank:			
Clients' account	24,800		
Office account	<u>55,700</u>		
	<u>506,000</u>		<u>506,000</u>

**Additional information:**

1. The uncompleted work on 31 October 2015 was valued at Sh.23,500.
2. It is estimated that debts amounting to Sh.5,500 are uncollectible and should be written off.
3. Depreciation should be provided at 20% per annum on the book value of the furniture, fittings and library books.

**Required:**

- (a) Profit and loss account for the year ended 31 October 2015. (6 marks)
- (b) Balance sheet as at 31 October 2015. (6 marks)