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(University of Choice)

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)

MAIN CAMPUS

UNIVERSITY EXAMINATIONS 2023/2024 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF SCIENCE (ACCOUNTING)

COURSE CODE: BCA 219

COURSE TITLE: ADVANCED ACCOUNTING I

DATE: Friday 19TH April 2024 **TIME:** .3.00-5.00pm

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory and any other **2** 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) Briefly explain the following concepts as used in Royalty contracts:
   (i) Royalty
   (ii) Short-workings
   (iii) Lessor
   (iv) Lessee
   (v) Sub-tenant (10 marks)

(b) H leased an oil well from V Oil Ltd. on 1-1-2010. The minimum rent was Ksh. 2000,000 and royalty was Ksh.200 per ton of crude oil raised. The short-workings were recoverable in the succeeding two years of such short-workings. The output, during the first 4 years were – 5,500; 8,000; 11,250; 12,500 tons.

Required

Prepare Royalty A/c, Short-workings A/c and V Oil Ltd's A/c in the books of H. (15 marks)

(c) Company X Limited acquires an asset under a finance lease. The asset, with an expected useful life of 5 years, has a cash price of RWF10,900. The lease is for five years, with an annual payment of Ksh.3,000 in arrears. The implicit rate of interest in the lease is 12%. Calculate the value at which the asset will be initially recorded in the accounts .(5 marks)

QUESTION TWO (20 MARKS)

(a) Company Y Limited acquires a machine under a finance lease agreement. The machine has a cash price of Ksh. 6,000. The terms of the lease are: Deposit Ksh. 900 followed by three annual payments of Ksh. 2,100 per annum in arrears. The implicit rate of interest is 11.35%. Journalize this transaction. (5 marks)

(b) Given below is a trial balance extracted from the books of Gitau Advocates, a firm of practicing advocates as at 31 March 2021:

Gitau Advocates

Trial Balance

	Sh.	Sh.
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 April 2020	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	55,700	
	506,000	506,000

Additional information:

1. The uncompleted work on 31 March 2021 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 March 2021. (8 marks)
(b) Statement of Financial Position as at 31 March 2021 (7 marks)

(Total: 20 marks)

QUESTION THREE (20 MARKS)

(a) Briefly explain the following concepts used in farm accounting. Agricultural produce, biological assets, consumable stores (4 marks)

(b) Briefly outline three methods that can be used to estimate fair value of Biological assets (4 marks)

(c) The following information is obtained from Kwanza Farm Inc. on the farming activities for the year ended 31 March 2018:

	Opening stock Shs.	**Closing stock Shs.**
Harvested Crops	30,000	?
Growing crops	22,500	?
Seeds	15,000	18,750
Cattle	562,500	?
Cattle food	75,000	41,250
Poultry	67,500	?
Poultry food	7,500	15,000
Fish	15,000	24,000
Fertilizers	37,500	22,500
Purchases during the year:		
Poultry	112,500	
Seeds	11,250	
Cattle	300,000	
Fish	7,500	
Cattle food	105,000	
Fertilizers	26,250	
Poultry food	22,500	
Sales during the year:		
Butter	11,250	
Milk	67,500	
Eggs	97,500	
Crops	157,500	
Flowers	11,250	
Fruits	30,000	
Cattle	270,000	
Poultry	105,000	
Fish	45,000	
Vegetables	37,500	
Expenses during the year:		
Wages	176,250	

Insurance	11,250
Depreciation	15,000
Repairs	9,000

Additional information

(i) The total farm produce consumed by the workers amounted to Ksh. 34,500

(ii) The accounts clerk of Kwanza Inc. was not sure of the value to attach to some of the agricultural produce and biological assets but was able to provide the following information:

Item	Estimate Cost to date	Estimate Point of sale fair value	Estimate Point of sale Charges
Harvested Crops	-	40,000	2,500
Growing Crops	33,750		
Cattle	-	79,000	2,500
Poultry	100,000	105,500	4,250

Required

(i) Determine the value of the inventories for balance sheet. (4 marks)

(ii) The income statement for the year ended 31/3/2018. (8 marks)

QUESTION FOUR(20 MARKS)

(a) Distinguish Hire-purchase from credit purchase and leasing. (6 marks)

(b) On January 1, 2018 HP and Co. acquired a pick-up Van on hire purchase from FM & Co. Ltd. The terms of the contract were as follows: (a) The cash price of the van was ksh.1,000,000. (b) ksh..40,000 were to be paid on signing of the contract. (c) The balance was to be paid in annual instalments of ksh..20,000 plus interest. (d) Interest chargeable on the outstanding balance was 6% p.a. (e) Depreciation at 20% p.a. is to be written-off using the straight-line method.

You are required to:

(i) Give Journal Entries and show the relevant accounts in the books of HP and Co. from January 1, 2018 to December 31, 2019; and (7 marks)

(ii) Show the relevant items in the Balance sheet of the purchaser as on December 31, 2018 to 2019. (7 marks)