JARAMOGI OGINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

UNIVERSITY EXAMINATION

FOR DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION WITH IT

4TH YEAR 1ST SEMESTER 2018/2019 ACADEMIC YEAR

COURSE CODE: ABA 403

COURSE TITLE: ADVANCED ACCOUNTING-1

DATE:

TIME: 2.00 HOURS

INSTRUCTIONS:

1. **Answer Question ONE (Compulsory) and ANY other 2 Questions**
2. **Candidates are advised not to write on the Question paper**
3. **Candidates must hand in their answer booklets to the invigilator while in the examination room**

QUESTION ONE

a) Maria stores of Kisumu consigned on 1st January 2010, 50 cases of goods at Kshs: 200,000 each to Wembe Traders of Bondo for sale on commission at 10% on gross sales. Maria stores paid Kshs: 500,000 for packing, freight and insurance. Wembe traders took delivery of the goods on 11th January 2010 after accepting a 15 days bill for kshs: 5 million and paid kshs: 150,000 for carriage. They sold 40 cases of goods @ kshs: 250,000 and balance for kshs: 260,000 each. Their sales expenses amounted to kshs: 200,000. On 31st January 2005, Wembe traders forwarded an account sale together with a draft for the balance.

Prepare account sales rendered by Wembe Traders and also give journal entries and ledger accounts in the books of Maria stores and Wembe Traders. (8 marks)

b) Distinguish between the following terms:

i) Endorsement and Acceptance (2 marks)
ii) Invoice and Account sales (3 marks)
iii) Sale and Consignment (4 marks)

c) Name and explain at least 5 features of Consignment (5 marks)

d) What are the Provisions of the Partnership Act, in the absence of a Partnership Deed (3 marks)

e) The following accounts are kept in respect of each branch at the Head Office books. Explain

i) Branch Stock Account (1 marks)
ii) Branch Mark-up (or Adjustment) Account (1 marks)
iii) Goods Sent To Branch Account (1 marks)
iv) Branch Total Debtors Account (if the branch is permitted to sell goods on credit) (1 marks)
v) Branch Expense Accounts (1 marks)

QUESTION TWO

A and B are in partnership as manufacturers of high quality wheelbarrows, A being responsible for the factory and B being responsible for sales. Completed wheelbarrows are transferred from the factory to the warehouse at agreed prices. A and B are credited with interest on capital balances at 5% and an annual salary of sh.100, 000 each. The balance of the profits is shared as follows between the partners.

i) A gets one third of the manufacturing profit.
ii) B gets 10% of the gross profit and
iii) The balance is shared equally.

Interest is charged on drawings at 10% based on the total drawings at the end of the year.

All wheelbarrows are sold at Sh.6, 800.00 each

The following trial balance was extracted on 31 March 2016.

	Sh.	Sh
Capital Accounts		
A		4,500,000.00

	B		5,000,000.00
Current Accounts			
	A		320,000.000
	B		76,000.000.00
Drawings			
	A	1,060.000.00	
	B	974,000.00	
Freehold factory (including land Sh. 3,000.000.00)		7,088,000.00	
Factory plant at cost		3,264.000.00	
Delivery van cost		820,000.00	
Provision for depreciation			
	Freehold factory		3,070,400.00
	Factory Plant		1,101,600.00
	Delivery van		384,000.00
Inventory on April 2003			
	Raw materials	420,000.00	
	Work in progress	402,000.00	
	Wheelbarrows (1,220 at Sh.4,400)	5,368,000.00	
Sales			12,376,000.00
Returns inwards		136,000.00	
Purchase of raw materials		2,916,000.00	
PAYE			88,000.00
Factory wages		1,654,000.00	
Office salaries		230,000.00	
Expenses	factory	1,268,000.00	
	Office	1, 009,000.00	

Provision for unrealized profit		488,000.00
provision for doubtful debts		192,000.00
Accounts receivables and payables	2,176,000.00	1,302,000.00
Bank	113,000.00	
	28,898,000.00	28,898,000.00

Additional information

a) 1540 wheelbarrows at Sh.4, 800 each were transferred to the warehouse during the year. Wheelbarrow in stock being balance of the current year's production, were valued at agreed price of Sh.4, 800 each.

b) The stock of raw materials was Sh.340, 000 and work in progress is valued at Sh.536, 000.00.

c) Accrued expenses on 31st March 2004 amounted to 624,000 (including office Sh.328, 000.00) and prepaid rates Sh.32, 000(including office Shs.12, 000.00)

d) Provision for depreciation is to be made as follows:

Factory buildings	2% p.a.
Factory plant	10% p.a.
Motor vehicles	25% p.a.

e) The general provision for doubtful debts is to maintain at 10% of the trade debtors.

Required

a) A manufacturing, trading and profit and loss Accounts for the year ended 31 March 2016 (10 marks)

b) A balance sheet as at the 31 March 2016 (10 marks)

QUESTION THREE

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 2002 were as follows:

	Head Office		Branch	
	Sh	**Sh**	**Sh**	**Sh**
Property plant and equipment (NBV)	760,000		308,000	
Stocks at 1 July 2001:				
- 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 2001 (held equally)		1,492,400		
Provision for unearned profit		34,000		
	9,409,880	9,409,880	4,897,440	4,897,440

Notes:

a) Mombasa invoices goods to Malindi at cost plus one ninth
b) At 30th June 2002:

- 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:

f) Prepare an incomes statement for the year ended 30th June 2002 and a balance sheet as at that date, separately for

i) The head office (5 marks)
ii) The branch (5 marks)
iii) The combined entity (5 marks)
iv) Post and balance both current accounts (5 marks)

QUESTION FOUR

a) Distinguish between the following:

i) A Promissory Note and a Bill of Exchange (2 marks)
ii) Holder and Holder in due course (2 marks)

b) What determines Goodwill and why is it important in business (3 marks)

c) A bill for $2000 is drawn by X on Y on 1st January 2012 for 2 months and accepted by the latter. X transfers it to his creditor Z, on 1st February 2012 on the due date the acceptance is duly met.

Required

Record the above transactions in the books of X, Y and Z, when

i) The bill is honoured (7 marks)
ii) The bill is dishonoured (6 marks)

QUESTION FIVE

Kamau Maneno and Rotino have carried on partnership for several years, sharing profits and losses equally after allowing for annual salaries as follows:

	Sh.
Kamau	1,500,000
Maneno	900,000
Rotino	900,000

They decided to convert the partnership into limited company; Kamaro Ltd.as at 30 November 2001, the following terms:

1. Goodwill to be valued at Sh.13,500,000
2. Other assets to be valued as follows:

	Sh.
Freehold property	27,000,000
Furniture and fittings	2,400,000
Motor Vehicles	6,000,000

3. Each partner is becoming director of the company at the same salary as that previously allowed in the partnership.
4 Maneno's loan is to be converted into share capital at par.
5. Shares are to be issued to each partner at parin respect of the amounts of their equity holdings at 30 November 2001.
6. The financial year of partnership ends on 30 May .No action has been taken to carryout the terms of conversionof partnership into the limited company in the books of accounts. On 31 May 2002, the trial balance showed the following position:

	Sh '000'	Sh '000'
Capital accounts at 1 June 2001		

Kamau		18,000
Maneno		9,000
Rotino		6,000
Stock -31 May 2002	14,400	
Cost of sales	36,000	
Sales		60,000
Administrative expenses	6,000	
Selling expenses	3,000	
Accounting &Audit expense	1,200	
Incorporation expenses	600	
Drawings:		
Kamau	1,500	
Maneno	900	
Rotino	900	
Freehold property at cost	25,800	
Furniture and fittings at cost	6,000	
Accumulated depreciation		3,600
Debtors and Creditors	9,000	7,200
Prepayments and Accruals	600	300
Loan from Maneno(10% interest per annum)		9,000
Motor Vehicles at cost	12,000	
Accumulated depreciation		3,600
Bank balance		1,200
	117,900	117,900

Additional information;

i. The sales during the second half of the year were 60% of the total sales though the gross profit percentage remained the same throughout the year.
ii. The selling expenses were proportional to the sales for each period. All the expenses were incurred evenly throughout the year.
iii. Salary drawings were made evenly. Drawing made after incorporation were to be treated as director's salaries.
iv. There were no purchases or sales of fixed assets during the year .Depreciation is to be provided on cost as follows;

Furniture and fittings	10% per annum
Motor vehicles	20% per annum

v. No dividends are paid or proposed but it is decided to write off the incorporation expenses and also Sh.3,500,000 of the goodwill.

Required

(a) Trading and profit and loss account for Kamaro Ltd. for the six months ended 31 May 2002

(8 marks)

(b) Calculation showing the value of shares to be issued to each partner. (4 marks)

(c) Balance sheet as at 31 May 2002. (8 marks)