



MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT
SCIENCES

SECOND YEAR SECOND SEMESTER EXAMINATION FOR DIPLOMA IN
ACCOUNTANCY

DACC 210: ADVANCED FINANCIAL ACCOUNTING

DATE: 30/5/2017

TIME: 2 HOURS

INSTRUCTIONS.

Answer Question One and Any Other Two Questions

1. a) i) Highlight **two** uses of branch accounts. (2 marks)
- ii) Distinguish between.:
 - Returnable containers and non-returnable containers (2 marks)
 - Stock insurance claim and Consequential loss insurance claim (2 marks)
- (b) Explain the following terms:
 - i) Charge out price
 - ii) Credit back price
 - iii) Depreciated value
 - iv) Hire profit (4 marks)
- (c) Kombole Ltd operates a branch at Mombasa and has a head office at Nakuru. All goods are purchased by the head office. The goods are charged to branches at cost plus 25%. The following information relates to Mombasa branch for the year ended 31st December, 2013

1 st January, 2013 stock at selling price	110,000
1 st January, 2013 debtors	98,650
31 st December, 2013 at selling price	98,700

Goods to branch at selling price	620,000
Credit sales	525,000
Cash sales	60,000
Returns to H. Office at selling price	25,000
Stolen goods at selling price	15,000
Bad debts written off	3,700
Cash received from debtors	560,000
Normal loss at selling price	2,500
Cash discount allowed	10,700

Prepare the following accounts as they would appear in the head office books. Use memorandum method.

- i) Branch Stock a/c (8 marks)
- ii) Goods sent to branch a/c (2 marks)
- iii) Branch debtors a/c (6 marks)
- iv) Branch p/l a/c (4 marks)

2. On 1 January 2010 Mbingwa Enterprises of Kisumu sent 2,500 cases of merchandise to Shujaa Traders of Mombasa at Shs.2,000 per case. Expenses on the consignment incurred by the consignor were as follows:

	Shs.
Freight	37,500
Landing charges	18,750
Insurance	26,250

Shujaa Traders are entitled to an ordinary commission of 5% and a del credere commission of $2\frac{1}{2}\%$. The firm paid on June, 2010, Shujaa Traders sent an account sales to Mbingwa Enterprises providing the following information:

- (i) Sales of 1875 cases @ Shs.3,200
- (ii) Commission charged at the agreed rates
- (iii) Consignees expenses amounting to Shs.125,000
- (iv) A bill of exchange was sent by Shujaa Traders for the amount due to Mbingwa Enterprises along with the account sales. The bill was immediately discounted at 2%.

Required:

- Prepare:**
- (i) Consignment Account (10 marks)
 - (ii) Consignees account (5 marks)
 - (iii) Shujaa Traders Account Sales. (5 marks)

3. Wepesi Fuel Ltd sells gas in returnable cylinders. The gas cylinders are purchased at Sh. 1,500 each and are charged to customers at Sh. 3,000 per gas cylinder. The customer is credited with Sh. 2,250 per cylinder if it is returned within one month from the date of issue.

The following information related to the year ended 30th September, 2014:

- i) There were 500 cylinders in stock on 1st October, 2013.
- ii) 1000 cylinders were with customers as at 1st October, 2013.
- iii) 1500 cylinders were with customers as at 30th September, 2014, the time limit for the return of that which had not expired.
- iv) 7000 cylinders were purchased.
- v) 250 cylinders were scrapped and sales proceeds were Sh. 15,000
- vi) 45,000 cylinders were sent to customers during the year; 40,000 returned.

Required:

- i) Gas cylinders Stock account (10 marks)
- ii) Gas cylinders Suspense account (10 marks)

4. a) Highlight and explain four uses of branch accounts. (8 marks)
- b) Maendeleo Enterprises have their head office in Nairobi and a branch at Konza. The following information relates to the year ended 31st December, 2013 regarding the transactions between head office and branch.

	Head Office		Branch	
	Dr	Cr	Dr	Cr
Goods sent to branch		150,000		
Goods received by branch			140,000	
Cash sent to H.O.			130,000	
Cash received from H.O.		125,000		
Branch current a/c	25,000			
H.O. current a/c				25,000
Branch profit for the year				40,000

Required:

Prepare the following accounts for the year:

- i) Branch Current Account (7 marks)
- ii) H.O. Current Account (5 marks)
5. On 31st January 2015, the premises of ABC Ltd were destroyed by a fire as a result of which stock was also burnt and the business of the company was disorganized until May 31st 2015. The company's insurance policy covers the following:

Stock	Shs.400,000
Buildings	Shs.700,000
Loss of profit (including standing charges)	Shs.150,000
Period of indemnity is six month	

The summarized profit and loss account for the year ended 31st December 2014 was as follows:

		Shs.
Turnover		1,500,000
Less cost of sales:		
Opening stock	309,375	
Purchases	<u>1,359,375</u>	
	1,668,750	
Less: Closing stock	<u>393,750</u>	<u>1,275,000</u>
Gross profit		225,000
Less: standing charges (insured)		(125,625)
Variable Expenses		<u>(60,000)</u>
Net profits		<u>39,375</u>

The transactions for the month of January 2015 were as follow:

Turnover	Shs.75,000
Payments to creditors	Shs.80,000
Trade creditors:	

Balance on 1 January 2015	Shs.113,000
Balance on 31 January 2015	Shs.115,490
Stock salvaged	Shs.5,940

The reduction in turnover during the period of dislocation amounted to Shs.135,000 as compared with the turnover of the period corresponding to the previous period.

Building was worth Shs.750,000 on the date of fire and three quarter of its value was destroyed by fire.

Required:

Compute the insurance claims for:

- (i) Loss of stock (9 marks)
- (ii) Loss of buildings (6 marks)
- (iii) Loss of profit (6 marks)