MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT SCIENCES

SECOND YEAR FIRST SEMESTER EXAMINATION FOR DIPLOMA IN ACCOUNTANCY

DACC 200: FINANCIAL ACCOUNTING II

DATE: 31/5/2017 **TIME: 2 HOURS**

INSTRUCTIONS.

Answer Question One and Any Other Two Questions

1. a) Differentiate between:

   i) Returnable containers.
   ii) Non-returnable containers. (4 marks)

   b) Wepesi Fuel Ltd sells gas in returnable cylinders. The gas cylinders are purchased at Sh. 1500 each and are charged to customers at Sh. 3000 per gas cylinder. The customer is credited with Sh. 2250 per cylinder if it is returned within one month from the date of issue.

   The following information is related to the year ended 30^{th} September, 2014:

   i) There were 500 cylinder in stock on 1^{st} October, 2013.
   ii) 1000 cylinder were with customers as at 1^{st} October, 2013.
   iii) 1000 cylinders were with customers as at 30^{th} September, 2014, the time limit for the return of which had not expired.
   iv) 7000 cylinders were purchased. Proceeds being Sh. 15,000.
   v) 45,000 cylinders were sent to customers during the year.

Required:

i) Gas cylinder stock a/c. (12 marks)
ii) Gas cylinder suspense a/c. (8 marks)

c) Explain the meaning of the following terms:

i) Del credere agent.
ii) Sub – lease. (6 marks)

2. Express is a firm dealing in woven floor mats. The firm is located in Eldoret. Goods are sent on consignment to Mwenge in Nakuru. Mwenge is entitled to 6% commission on sales.

The following transactions took place during the month of July 2014:

2014

July 2: Express Ltd sent a consignment of 400 mats at a cost of Kshs. 258,000.
2: Express Ltd paid packaging ata cost of Kshs. 36,400.
2: Express Ltd paid insurance of Kshs. 6200 and rail transport of Kshs. 28,600.
4: Mwenge paid carriage inwards of Kshs. 3000 and cost of Kshs. 12,000.
5: Mwenge paid sales promotion costs of Kshs. 7000
20: Mwenge sold 350 mats at Ksh. 1200 each.
25: Mwenge sold 40 mats at Kshs. 1000 each.

The remaining mats were left in stock July 31. Mwenge sent account sales to Express Ltd.

Required:

Prepare:-

i) Consignment account. (7 marks)
ii) Consignees account (7 marks)
iii) Mwenge's Sales account (6 marks)

3. Mwenda Pole Ltd received the rights to manufacture and market a product from Shaft Ltd by use of the trade mark. The agreement provider for a royalty of Sh. 4 to be paid for each unit sold subject to a minimum rent of Sh. 1,200,000. Short falls in any year can be recouped from any excess of royalty over the minimum rent in the following year only. The sales of the firm were as follows:

Year	Unit
2010	250,000
2011	290,000
2012	350,000
2013	400,000

The financial year of the firm ends on 31st December. The amounts due to Mwenda Pople Ltd are paid on 31st December of each year. For each of the years 2010, 2011,2012 and 2013, prepare:

i) Royalties Payable account (7 marks)
ii) Swift Ltd account (8 marks)
iii) Short –workings recoverable account (5 marks)

4. 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

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

5. a)

   i) What is the purpose of a Branch mark-up a/c?

   ii) Explain the following terms:

      - Charge out price
      - Credit back price
      - Hire profit

b) Vision 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)