

LAIKIPIA



UNIVERSITY

# UNIVERSITY EXAMINATIONS

1<sup>ST</sup> SEMESTER 2023/2024 ACADEMIC YEAR

THIRD YEAR EXAMINATION FOR THE DEGREE  
OF BACHELOR OF COMMERCE

**ACCT 311/BCOM 310: ADVANCED FINANCIAL  
ACCOUNTING 1**

***STREAM:***

***TIME: 2 HRS***

***DAY: WEDNESDAY [8.30-10.30 A.M]***

***DATE: 13/12/2023***

**THIS QUESTION PAPER CONSISTS OF SEVEN (7) PAGES**

**PLEASE DO NOT OPEN UNTIL THE INVIGILATOR SAYS SO.**



**Instructions**

- i. Answer question **ONE** (compulsory) and any other two questions.
- ii. Start each question on a new page
- iii. Do not write on the question paper

**QUESTION ONE**

- a) Wadwa, Wadu and Wadgi who have been trading as partners in a firm, agree to dissolve their partnership on 31 December 2004. The financial position as at that date is as follows.

**Wadwa, Wadu and Wadgi****Balance sheet as at 30<sup>th</sup> December 2004**

<b>Long lived assets</b>	<b>sh</b>	<b>sh</b>
Plant and machinery		500,000
Fixture and fittings		<u>54,000</u>
		554,000
 <b>Current assets</b>		
Stock	125,000	
Debtors	93,500	
Cash and Bank	<u>7,000</u>	
	225,500	
 Less current liabilities		
Creditors	<u>(86,925)</u>	<u>138,575</u>
		692,575
 Non-current liabilities		
Loan;Wadwa		<u>(150,000)</u>
		<u>542,575</u>



**Financed by;**

## Capital accounts;

Wadwa	220,000	
Wadu	137,500	
Wadgi	<u>82,500</u>	440,000

## Current accounts

Wadwa	50,050	
Wadu	40,700	
Wadgi	<u>11,825</u>	<u>102,575</u>
		<u>542,575</u>

**Additional information**

1.Assets were realized as follows

Plant and machinery	700,000
Fixtures and fittings	50,000
Stock	100,000
Debtors realized	90,000

2.The expenses of realization amounted to Shs 12,500

3.The partners share profits and losses in the ration 2;2;1 respectively.

**Required;**

- Show the process of realization in the firm's books . **(6 marks)**
- The final position of the three partners as regards to the distribution of the balances of cash. **(6 marks)**

- b) Capital reorganization of a company may refer to a wide range of diverse capital changes which may involve both internal reconstruction and external reconstruction.

**Required;**

- i) Explain the various forms of internal capital reconstruction (5 marks)
- ii) Explain the various forms of external capital reconstruction (5 marks)
- b) A pension fund is any plan, fund or scheme which provides retirement income. A retirement benefit scheme can be classified in various forms.

**Required;**

Explain the various forms of retirement benefit schemes. (8 marks)

**QUESTION TWO**

- a) On 3<sup>rd</sup> March 20x4 Wako Investment Ltd purchased Shs 80,000 5% government stock at 92, plus brokerage Shs 3,200. Interest is paid half yearly on 30 June and 31 December. On 1 June Shs 45,000 of the stock was sold at 94 ex-div, brokerage amounting to Shs 1,900
- The company prepares final accounts annually to 30 September

**Required;**

Show the 5% Government stock account investment in the books of Wako Ltd, (ignore taxation). Show your workings clearly. (11 marks)

- b) Discuss the nature of Royalties Accounts, clearly indicating why the following are important;
- i) Minimum Rent
- ii) Short working
- iii) Sub lease (9 marks)

**QUESTION THREE**

- a) Tintin has been operating for a long time with no problem until 1/6/x10 when fire gutted the premises and operations stopped for 4 months .Other relevant information is as below;
- Sales from 1/6/x10 – 30/9/x10 was Shs 2,000,000
- Sales from 1/6/x9 -30/9/x9 was Shs 11,000,000
- Sales for the year ended 31/3/x10 was Shs 35,000,000
- Net profit for year ended 31/3/x10 was given as Shs 4,500,000,
- after deducting fixed charges of Shs 4,250,000



Sales during the first 2 months of x10/x11 were higher than sales of the first 2 months of x9/x10 by 20%

**Additional information**

- i) Addition cost of working is given as sh 1,000,000
- ii) Saving during indemnity amounted to sh 3,000,000
- iii) Total standing charges were Shs 6,000,000
- iv) Assume a consequential loss policy of Shs 2,000,000

**Required;**

- i) Compute loss **(7 marks)**
- ii) Compute liability of insurance net claim **(3 marks)**
- b) i) In relation to partnership Businesses, explain reasons that would cause dissolution of a partnership. **(5 marks)**
- ii) In relation to Limited liability companies, explain reasons that may lead to dissolution of a company **(5 marks)**

**QUESTION FOUR.**

On 31 December 20x1, an inexperienced bookkeeper working for Madawo, a sole trader, extracted a trial balance. Due to errors committed by the bookkeeper the trial balance failed to balance by 369,400. He placed the difference in a suspense account as shown below

**Madawo Trial Balance as at 31 December 2001**

	<b>Sh</b>	<b>sh</b>
Long lived assets cost	832,000	
Inventories;		
1 January 20x1	148,000	
31 December 20x1		98,800
Trade debtors		76,000
Prepayments		10,000
Trade creditors		34,600
Bank overdraft		15,200



Accruals		16,000
Drawings	359,600	
Capital		1,054,000
Sales	1,043,200	
Provision for depreciation		166,400
Purchases		733,000
Operating expenses	126,000	
Provision for doubtful debts		3,800
Discounts received	5,000	
Discounts allowed		5,800
Suspense account		369,400
<b>Totals</b>	<b>2,548,400</b>	<b>2, 548,400</b>

Investigations carried out after preparing the trial balance detected the following errors;

- 1.The total of sales day book for December 20x1 was overcast by sh 24,800
  - 2.On 2<sup>nd</sup> July 20x1,the business purchased office equipment for sh 40,000.These were debited to purchase account. Depreciation on the equipment is at the rate of 10% per annum on cost and based on the oeriod of usage in the year.
  - 3.A payment to a creditor by cheque of sh 8,500 was erroneously credited to the creditor’s account.
  - 4.A payment of sh 4,500 for telephone expenses was debited to a telephone account as 5,400.
  - 5.An amount of sh 16,100 received from a debtor was not posted to the debtors account from the cashbook.
  - 6.An amount of discounts received of sh 2,500 was debited to discounts allowed account.
  - 7.Purchases daybook for October 20x1 was undercast by sh 28,000.
- a) Assume the business had reported a net profit of sh 85,800 before adjusting for the above errors

**Required;**

- i) The adjusted trial balance and the correct balance of the suspense account **(6 marks)**
- ii) The adjusted net profit for the year **(4 marks)**



- b) A joint venture is a form of partnership confined to one transaction only. A joint venture may cover transactions over a short period of time however, others may go beyond one financial year.

**Required;**

- i) Explain what is a joint venture and in what respect are they different from partnerships **(3marks)**
- ii) Explain what you understand by joint memorandum account **(3 marks)**
- iii) Describe the accounting system for joint ventures where they are continued over a period of time. **(3 marks)**

