



MURANG'A UNIVERSITY COLLEGE
(A constituent College of Jomo Kenyatta of Agriculture & Technology)
SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

MAIN CAMPUS

2015/2016 ACADEMIC YEAR

EXAM: END OF SEMESTER 1 EXAM

DIPLOMA IN BUSINESS MANAGEMENT

UNIT CODE : BS 1309

CLASS : DCM 013D

UNIT NAME : FINANCIAL ACCOUNTING

REGULAR EXAMINATION

INSTRUCTIONS TO CANDIDATES

DATE; 17TH APRIL 2015

TIME: 2 ½ HOURS

Answer all Five (5) Questions.

Question one

Kwa V quarries ltd acquired rights to extract from Sagana Land lords on the following terms

- i. Price on royalties sh.30 for every ton extracted
- ii. Minimum royalty will be sh.120,000 per month
- iii. Settlement would be made on monthly basis on the last date of each month. effective 1st August 2013.

iv. The following quantities of stones were extracted by Kwa V ltd during the five month

2008	output in tones
August	2000
September	3000
October	4000
November	4,600
December	5000

Required

- i. Analysis account
- ii. Royalties payable account
- iii. Landlords account (20marks)

Q2 Sea land merchants ltd sell their products in containers which cost sh.50 each.

Containers are charged to custom at sh.100 each and credited at sh.75 each if returned in good condition within three months. At the end 4 of year end all containers owned by the company whether within the factory or in customer hands are valued at sh.25 for a counting purpose.

On 1st Jan 2010 the co. Owned 24,000 containers in the factory and 30,000 containers which had been in the hands of customers for less than 3 months. During the year 2010, 20,000 containers were purchased and 60,000 were charged to customers, 56,000 were returned within the prescribed period and 2000 were kept by the customers over 3 months limit. 800 containers were sold for sh.10 each during the year. 300 were scrapped and when stock was taken on 31st Dec. 2010 there was deficiency of 900 containers.

On 31 Dec.2010 the company owned 38,000 containers in the factory and 32,000 containers had been in the hands of the customers for less than 3 months.

Required

- a. Containers stock account
- b. Containers suspense account

Q3 Kalembe and Maina in year 2008 decided to enter into joint venture and sell wheat from Narok. They agreed to share profits and losses in ratio 2:1

On 1st March 2008 Kalembe purchase wheat for sh.108, 000 and Maina paid Sh. 15,800 for transport to Nairobi warehouse. On the same date Maina bought wheat from 210,000 on credit from Tech Farms ltd. The following transactions were also made

2008

March

- | | |
|------------------|---------------------------------------|
| 8 th | Kalembe sold wheat for 133,000 |
| 13 | Kalembe paid Tech farms ltd sh.70,000 |
| 16 th | Maina paid warehousing Sh.7000 |
| 28 th | Maina sold wheat Ksh 146,000 |
| April 4 | Kalembe paid insurance sh.6000 |
| 6 th | Kalembe sold wheat sh.77,500 |
| 23 th | Maina paid Narok ltd sh.140,000 |
| 26 th | Maina sold wheat sh.300,000 |

Stock on hand on 30th April was taken over by Maina valued at sh.63, 000. The account between Kalembe and Narok were settled by cash payment on this date .

Required

- i. Joint venture accounts in the books of Kalembe
- ii. Joint venture account in the books of Maina
- iii. Memorandum joint venture (20mks)

Q4 Wacera co.ltd of Nairobi sent 100 cases of goods to Wonire ltd in Eldoret @ Sh.100 per case expenses on the consignment incurred by the consignor amounted to sh.30000. Wonire ltd were working as dell credere agents. Their ordinary commission was 5% and del credere commission 7½%. Wonire ltd paid a cheque of shs.200, 000 as advance to Wacera ltd immediately on receipt of the consignment.

After 6 months an account on sales was received by Wacera ltd giving the following information.

- i. Sale proceeds of 750 cases, sh.1,200,000
- ii. Stock of unsold good ,in hand 250 cases
- iii. Commission charged @ agreed rates of 5%v and 7½% del credere
- iv. Consignee expenses amount to sh.50,000
- v. A bill of exchange was sent by Wonire ltd for the Amt due to Wacera ltd along with account sales. B/E was discounted immediately by Wacera close the books on receipt of above information shows the following entries

- a. Ledger accounts in books of Wacera ltd. (16 mks)
- b. Cosigners account in the books of Wacera (4mks)

Q5 Koba ltd bought two vehicles on hire purchase with the following details on agreement.

Reg. vehicles no	KCA	KCC
Date of purchase	30-6-014	31-1-015
Cash price	sh.290,000	sh.366,000
Deposit	sh.50,000	sh.66,000
Hire purchase	Sh.60,000	sh.84,000

For above agreements payments should be made on 24 equal monthly installments starting on the last day of month following purchase. Interest dimmed to accrue evenly over the period of agreement. On 18th Aug.2015 vehicle KCA became total loss. IN full settlement on 10th Aug. 2015.

- i. Insurance co paid sh220,000 under comprehensive policy.
- ii. HP co. accepted sh.12,000 for termination of contract. The firm prepared accounts annually to Dec.31 and provides depreciation on straight line basis @ the rate of 20% for motor vehicles, with full year's depreciation in year of purchase. No depreciation provided in year of disposal

All installments were paid on due dates

Transaction in the following accounts

Required:

- i. Motor vehicles depreciation provision for motor vehicle account
- ii. Hire purchase co.
- iii. Hire purchase interest suspense account
- iv. Disposal of motor vehicle account caring balance on Dec.30 2015

(20marks)