

LAIKIPIA



UNIVERSITY

UNIVERSITY EXAMINATIONS

2ND SEMESTER 2023/2024 ACADEMIC YEAR

FOURTH YEAR EXAMINATION FOR THE DEGREE OF
BACHELOR OF COMMERCE

BCOM 413: SPECIALIZED FINANACIAL ACCOUNTING
TECHNIQUES

STREAM:

TIME: 2 HRS

DAY: THURSDAY [8.30-10.30 A.M]

DATE: 11/04/2024

THIS QUESTION PAPER CONSISTS OF FIVE (5) PAGES

PLEASE DO NOT OPEN UNTIL THE INVIGILATOR SAYS SO.



INSTRUCTIONS:

This paper contains four questions

Answer question one and any other two questions in the answer booklets provided

QUESTION ONE

ABC Ltd. Obtained a 20 year lease of land from GHL Ltd. Effective from 1 January 2019, for the purposes of extracting marble. The lease provided for the payment of a royalty of Sh.100 for every ton of marble extracted with a minimum rent of Sh.200, 000 per year, payable annually on the 31 March of the year following that to which the payment relates. Provision was made for short-workings to be recouped out of subsequent excess workings during the first four years.

ABC Ltd. granted a sub-lease of one third of the area of land in question to XYZ Ltd. For 12 years effective from 1 January 2020. XYZ Ltd. Was to pay a royalty of Sh.125 per ton of marble extracted merging into a minimum rent of Sh.80, 000 per year. This royalty was to be payable on the 31 January following the year end to which the royalty related. The sub-lease provided for short-workings to be recouped out of any subsequent excess workings within two years of the end of the year in which the short-workings occurred. The financial years of ABC Ltd., GHL Ltd. And XYZ Ltd. End on 31 December.

The quantities of marble extracted were as follows:

Year ended 31 December	ABC Ltd.	XYZ Ltd.
	Tons	Tons
2019	1,200	-
2020	1,300	560
2021	1,700	680
2022	1,800	660
2023	2,000	720

Required:

The following accounts in the books of ABC Ltd. For each of the five years ended 31 December 2019, 2020, 2021, 2022 and 2023:

- (a). Royalties payable account **(5 marks)**
- (b). GHL Ltd. Account **(8 marks)**



- (c). Royalties receivable account **(4 marks)**
- (d). Short-workings accounts. **(7marks)**
- (e). XYZ Ltd. Account. **(6 marks)**

QUESTION TWO

- a). Highlight four distinguishing features between a joint venture and a partnership **(4 marks)**
- b). Joshua and Caleb entered into a joint venture, the joint venture involved the buying and selling of cereals, they shared profits and losses equally. The joint venture accounts were settled in cash at the end of the venture. The following transactions were recorded by the venturers

	Joshua Sh.	Caleb Sh.
Purchase of cereals	240,000	350,000
Transportation costs	10,000	14,000
Rent	8,000	10,000
Sundry expenses	20,000	30,000
Wages	15,000	18,000
Bad debts	10,000	8,000
Sales	1,234,000	-
Closing stock	15,000	5,000

Additional information:

1. Joshua took cereals that cost Sh.20, 000 for personal use.
2. All the bad debts were treated as expenses to the Joint venture.
3. Joshua was responsible for sale of the cereals.
4. All the closing stock was taken by Caleb

Required:

- i) Memorandum Joint Venture account **(6 marks)**
- ii) Joint Venture accounts in the books of each venturer. **(10marks)**

QUESTION THREE

Miles Store Ltd. Operates its business in two departments X and Y .The following information was extracted from the books of the company as at 30 June 2023



Miles Stores Ltd. Trial balance as at 30 June 2023

	Sh.	Sh.
Ordinary share capital		2,000,000
Share premium		1,000,000
Profit and loss account		774,000
Motor vehicles (net book value)	1,600,000	
Equipment (net book value)	1,200,000	
Furniture (net book value)	600,000	
Sales: Department X		2,000,000
Department Y		2,200,000
Opening stock: Department X	160,000	
Department Y	170,000	
Purchases: Department X	1,700,000	
Department Y	1,900,000	
Administrative expenses: Department X	160,000	
Department Y	184,000	
Discount allowed	105,000	
Discount received		180,000
Selling and distribution expenses	300,000	
Trade debtors	163,000	
Trade creditors		146,000
Cash and bank balances	<u>58,000</u>	
	<u>8,300,000</u>	<u>8,300,000</u>

Additional information

- On 30 June 2023, Closing stock was valued as follows:

Department X	Sh. 320,000
Department Y	Sh. 290,000
- Expenses were apportioned between the two departments as follows:

Expense	Apportionment base
Discount allowed	Sales value
Discount received	Purchases value
- Administrative expenses were apportioned in the ratio 2:3 between department X and department Y while depreciation expense was apportioned equally between the two departments.
- Depreciation was provided on the basis of book values at the following rates:

Motor vehicles	10% p.a.
Equipment	-5% p.a.
Furniture	-10% p.a.



Required

Departmental income statement in columnar form for the year ended 30 June 2023.

(20 Marks)**QUESTION FOUR**

a). Explain the following terms as used in accounting for returnable containers:

(i) charge-out price **(2 marks)**

(ii) Credit-back price **(2 marks)**

b). Expo Business services sell its goods in containers which are returnable. These containers are purchased by the company at Sh.20 per container but each container is written down to the book value of Sh.15 per container immediately it is purchased. For stock taking purposes all containers are valued Sh.15 per container irrespective of whether they are still in stock or in the hands of customers. Containers are charged out to customers at Sh.25 per container, but the customer is credited with Sh.18 per container if it is returned in good condition within three months of receipt.

The following information relates to the year ended on 31st March 2023:

1. Stock at 1.4.2022

Premises	10,000 containers
Customers	2,000 containers
2. During the year 15,000 containers were purchased
3. 40,000 containers were returned by customers within the time limit
4. 3,000 containers were not returned by customers within the time limit. These were considered as kept by the customers permanently.
5. 1,000 containers were scrapped and sold for Sh.3,000
6. Shs.7, 000 were spent on the repair of the containers.
7. On 31st March 2023, 4,000 containers were in the possession of customers.

Required:

a). Container stock Account **(6marks)**

b). Suspense account for the year ended 31st March 2023 **(6marks)**

c). Profit or loss made on containers **(4marks)**

