

**CHUKA**



**UNIVERSITY**

**COLLEGE**

**UNIVERSITY EXAMINATIONS**

**THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF  
BACHELOR OF EDUCATION (ARTS)**

**BUST 313: SPECIALISED ACCOUNTING**

**STREAMS: B.ED (ARTS) Y3S1**

**TIME: 2 HOURS**

**DAY/DATE: FRIDAY 21/12/2012**

**8.30 A.M. – 10.30 A.M.**

**INSTRUCTIONS:**

Answer all the Questions.

- Q1. (a) The lease of a plot of land is granted to Pandey upon the basis of a royalty of 10 cent per ton on the day extracted, subject to a minimum rent of KSh.200,000 per annum. Pandey has the right to recoup short workings during the first seven years. The output in tons for Pandey were as follows:

31 December 2001	First year	10,000 tons
“	“ 2002	16,000
	2003	20,000
	2004	25,000
	2005	26,000
	2006	20,000
	2007	22,000
	2008	30,000

Required:

In the books of Pandey, prepare

- |       |                       |           |
|-------|-----------------------|-----------|
| (i)   | Royalty Account       | [5 marks] |
| (ii)  | Landlord's Account    | [5 marks] |
| (iii) | Short working Account | [5 marks] |

- (b) On 1<sup>st</sup> January 2008, Ndagani Ltd held 9% debentures with a nominal value of 100,000 and book value of 94,000. On 1<sup>st</sup> May 2008, the company disposed off all the debentures at 98-exright (interest). Selling expense was 1% of nominal value. Interest is payable half yearly on 30<sup>th</sup> June and 31<sup>st</sup> December.

Required:

Prepare Investment account.

[10 marks]

- Q2. Mose Ltd purchased a van on 1 Jan 2010 for Ksh.2,100,000 which was financed through hire purchase agreement. The cash price of the van was Ksh.1,800,000. The term of hire purchase contract required a deposit of Ksh.800,000 on delivery with four instalment on 31 December 2010, 2011, 2012 and 2013 of Ksh.37,500.

The true rate of interest was 24% and depreciation is on a straight line basis.

Required:

Use actuarial method to prepare the following accounts in the book of vendor and buyers book.

- (a) Hire purchase suppliers account in buyers book. [5 marks]  
(b) Hire purchase interest expense account in buyers book. [5 marks]  
(c) Hire purchase account in vendors book. [5 marks]  
(d) Provision for unrealized profit in vendors book. [5 marks]
- Q3. (a) Distinguish between the accounting treatment of a normal losses and abnormal losses with respect to consignment. [4 marks]
- (b) Meru Ltd of Meru consigned 1000 bunches of banana to Juba Ltd in Sudan at a price of Ksh.1200 per bunch.

The expense on consignment incurred by consigner were:

Freight Ksh.200,000, Carriage and insurance 12,000

Juba Ltd were working as a del credere agent. Their ordinary commission was 2% and delcredere commission of 3%. Juba Ltd paid by bank a draft of Ksh.600,000 as an advance to Meru Ltd immediately on receipt of the consignment goods.

After 3 months, an account sales was received by Meru Ltd giving the following information:

- (i) Sales proceeds of 700 bunches for Sh.1,400,000.
- (ii) Stock of unsold goods in hand was 300 bunches.
- (iii) Commission charged at agreed rates of 2% and 3%.
- (iv) Consignees expenses amounted to Sh.100,000.
- (v) A bank draft was sent by Juba Ltd to Meru Ltd of account alongside with the account sales.

Required:

(a) Consignor's Account [8 marks]

(b) Consignee's Account [8 marks]

Q4. Write short notes on the following:

(a) Piecemeal realization in partnership accounting. [2 marks]

(b) Percentage of completed method of contract accounting. [3 marks]

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