



THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

HBC 2211: ADVANCE ACCOUNTING

END OF SEMESTER EXAMS

SERIES: APRIL/MAY 2010.

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

1. The paper consists of **THREE** questions.
 2. Answer **ALL** questions.
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QUESTION ONE

Ben and Tom agreed to enter into a Joint Venture to buy and sell 2nd hand vehicles and to share profits and losses in the ratio of 5:3 respectively. It was agreed that Ben would record all details of the venture in his books of account.

On 21 December 1981 Tom purchases 2 vehicles and paid cash of 2,000/=. On 2 Jan 1982 he spent sums of 248/= on repairs, 24 on drivers wages and 36 on temporary insurance cover. He sold the vehicles a week later for 2,800/= subject to a 2% cash discount if paid within 7 days. He paid the proceeds of sale into his bank account on 10th Jan 1982.

On 31 Jan 1982 Ben purchased 5 vehicles for 5,000/= of which he managed to sell 3 for 3,600/= in cash on the same day without incurring any expenses. The 4th vehicle was sold for 1,350/= and on 7th Feb. 1982 he received a Bill receivable to be presented for payment in 3 months.

On 31 March 1982 the 5th vehicle was still unsold and it was agreed that Tom should take over this vehicle at a valuation of 750/=.

On 31 March 1982, the parties made a settlement between each other Ben agreeing to take the Bill receivable at a value of 1,318/=.

Required:

- (a) The joint venture accounts of Ben and Tom. (10 marks)
- (b) The memorandum joint venture account. (10 marks)

QUESTION TWO

Amina and Bakari have been in partnership for many years sharing profits and losses in the ratio 3:2 respectively. The following was their balance as at 31 December, 2006.

Goodwill	20,000
Plant and machinery	18,000
Stock	19,600
Debtors	21,300
Cash at bank	900
	<u>79,800</u>
Capital: Amina	40,000
Bakari	<u>30,000</u>
	<u>70,000</u>
Sundry creditors	<u>9,800</u>
	<u>79,800</u>

On 1st January, 2007 they decided to admit Charles as a partner on the condition that he contributed Kshs.20,000 as his capital but that the plant and machinery and stock should be revalued at Kshs.20,000 and Kshs.19,000 respectively, the other assets, except goodwill, to remain at their present book values. The goodwill was agreed to be valueless and the profits to be shared between A, B & C in the proportion of 5:3:2 respectively.

Required to show:

- (a) Goodwill account
- (b) Revaluation account
- (c) Capital account
- (d) The balance sheet of the partnership after the admission of Charles. (25 marks)

QUESTION THREE

A firm was acquiring two lorries under hire purchase agreements, details of which are as follows:-

Registration number	UE 452	XA 300
Date of purchase	30 th June 2002	31 st January 2003
Cash price	\$850	\$910
Deposit	\$94	\$113
Interest (deemed to accrue evenly over the period of the agreement)	\$108	\$144

Both agreements provided for payment to be made in thirty-six equal monthly installments commencing on the last day of the month following purchase.

On 1st August 2003, vehicle UE 452 became a total loss.

In full settlement on 10th August 2003:-

- An insurance company paid \$700 under a comprehensive policy and
- The hire purchase company accepted \$500 for termination of the agreement.

The firm prepared accounts annually to 28th February and provided depreciation on a straight line basis at a rate of 20% for motor vehicles, with a full year's depreciation in the year of purchase, no depreciation being provided in the year of disposal.

All installment were paid on the due dates.

Required to prepare:

- Motor vehicle account
- Motor vehicle Depreciation account
- Hire Purchase Company account as at 28th February, 2010.
- Asset Disposal Account.

(25 marks)