



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**THIRD YEAR FIRST SEMESTER EXAMINATION FOR DEGREE
OF BACHELOR OF BUSINESS ADMINISTRATION WITH
INFORMATION TECHNOLOGY**

CITY CAMPUS - EVENING

ABA 403: ADVANCED FINANCIAL ACCOUNTING I

Date: 1st December, 2016

Time: 5.30 - 8.30pm

INSTRUCTIONS:

- Answer Questions ONE (Compulsory) and any other THREE.



QUESTION ONE

Bough Ltd is situated in Forest hill and has a branch in Oakwood. Bough Ltd purchases goods for the branch and transfers the goods to the branch at a uniform mark-up of 50%.

The branch sells goods on cash but also has credit customers who are required to settle their accounts direct to the head office in Forest hill.

The following information is available for the month of October 2016:

At October 2016	£
Stock at branch (at cost price)	8,000
Branch debtors	865
During the month to 31 October 2016:	
Goods sent to branch (at cost)	12,000
Goods returned by branch to head office (at cost)	800
Goods returned by customers to branch (at selling price)	150
Goods returned by customers to head office (at selling price)	240
Branch sales - cash	10,000
credit	8,642
Cash remitted by customers to head office	8,400
At 31 October 2016:	
Stock at branch (at cost)	6,622

Required

(a) The accounts in the books of Bough Ltd to record ;

- (i) Goods sent to branch
- (ii) Branch stocks
- (iii) branch debtors
- (iv) cash received

(17.5 marks)

- (ii) Branch stocks a/c
- (iii) Branch debtors a/c
- (iv) cash received a/c

(17.5 marks)

QUESTION TWO

Turwin Ltd, a retail hardware company, decides to open a branch in Nottingham. During October, the following transactions take place:

1. Turwin Ltd secures leasehold premises in Nottingham for the branch at a cost of £20,000
2. Goods purchased for cash 10000 and sent to branch
3. Turwin Ltd transfers cash to branch to pay wages, £2,000
4. Turwin Ltd purchase fixtures and fittings for the branch, £7,000
5. The branch sells goods for cash £8000
6. Branch sells goods for cash £8000
7. The branch buys office sundries out of takings ,£ 400
8. The branch pays electricity bill,£131
9. The branch remits cash to Turwin Ltd £6000

Required;

Record the transaction's in the Head-Office Books.

(17.5 marks)

QUESTION THREE

A, B and E are partners sharing Profits and Losses in the ratio 3:2:1. The balance sheet on 31/12/2011 was as follows;

Capital A- 200,000	Machinery	500,000	
B-200,000	Inventory	200,000	
E- 150,000	Debtors	100,000	
550,000			
Loans by Mrs B	200,000	Cash in hand	50,000
Sundry creditors	100,000		
	<u>850,000</u>		<u>850,000</u>

E retires on the balance sheet date and the following arrangements are put in place;

- The value of firm's goodwill is 150,000 and E shares of the same is to be adjusted in the account of A and B.
- The assets are revalued as: Inventory -sh 250,000 and Machinery 520,000.
- Provision for bad debts is to be created at 10% on existing debtors.
- The amount due to E is to be transferred to a loan account in the name of E.

Required

- Revaluation a/c
- Partners capital a/cs
- Balance sheet as at that date;

(17.5marks)

QUESTION FIVE

Indo- Australian Trading Co. Ltd .has its Head office in Australia and a Branch in India. The following balances stood in the books of the Branch as on 31 December 2011 at the conclusion of its first years trading in the Head Office Accounts Rs.208,000;Sales Rs.225,576;Purchases Rs.261,604;Salaries Rs.43,868;Freight Rs 26,608; General Expenses Rs. 31,248;Bank Account (Dr. Balance)Rs .12,461;Cash in Hand Rs.1,563;Sundry Debtors- Control Accounts Rs 106,462; Creditors Control Accounts, Debtors Control Accounts Rs.50,318; Stock as at 31st December, 2011 Rs.148,500

The balance of the Head Office Account represents remittance to India as under;

8 th January,2011	Rs.64,000@15/3/4d
6 th April, 2011	Rs.96,000@14/1/2d
17 th August, 2011	Rs 48,000@15/1/2d

Required

Prepare the converted Trial Balance of the Indian Branch, and show the Indian Branch Account in the Head Office Books for the year,2011, together with a Branch Trading and Profit & Loss Account.Pass the entries in the Branch Books and open Head Office Account.

(17.5marks)

QUESTION SIX

On 1st July 2012,United Millers sent 500 cartons Bar soap at Kshs 50,000 to Uhuru stores in Kisii.Uhuru stores is entitled to 5% commission and further 1% de crederecommission.Other expenses incurred by United Millers included:

- Carriage costs Kshs 2,000
- Insurance Ksh 1,000