



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

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

MAIN CAMPUS

ABA 403: ADVANCED FINANCIAL ACCOUNTING I

Date: 13th December, 2016

Time: 12.00 - 3.00pm

INSTRUCTIONS:

- Answer any **THREE** Questions
- Begin each new question on a fresh page
- Workings, where necessary must be shown for full award of marks

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ISO 9001:2008 CERTIFIED



Question One

Anita and Banita are partners sharing profits and losses equally. Their Balance sheet as on 1st Febru 2014 was as below:

Anita Banita

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Anita and Banita are partners sharing profits and losses equally. Their Balance sheet as on 1st February, 2014 was as below:

Anita Banita
Balance sheet as on 1st February 2014

Non-current Assets		
Land and Buildings		170,000
Fixtures and Fittings		60,000
Furniture		<u>70,000</u>
		300,000
Current Assets:		
Stock	102,500	
Debtors	35,000	
Cash	<u>160,000</u>	
	297,000	
Less: Creditors	<u>47,000</u>	<u>250,000</u>
		<u>550,000</u>
Financed By:		
Capital:		
Anita	300,000	
Banita	<u>200,000</u>	500,000
Reserves		<u>50,000</u>
		<u>550,000</u>

On 1st February, 2014 they admitted Chakiya to their partnership on the following terms:

- a. Chakiya was to bring in Capital of shs 100,000 and a premium of shs 30,000
- b. The profit sharing ratio of Anita, Banita and Chakiya would be 3:2:1
- c. Assets were revalued as below:

Land and Buildings	250,000
Stock	120,000
Furniture	60,000
Debtors	30,000

Required:

Show the relevant ledger accounts to effect the changes.

Question Two

Ndugu Traders has two retail branches selling goods supplied to them by the firms Central Warehouse. All such supplies of goods are charged at the fixed selling price of cost plus 50%. Sales are mainly in cash, but in approved cases, limited credit sales are authorized. The whole book-keeping work is centralized at the Head Office.

The following particulars in respect of the transactions of their Mogotio Branch, for the period of three (3) months ending 31st March, 2015 you are required to open the necessary ledger accounts in the Head Office books:

Stock (at selling price) January, 2015	Ksh 267,000
Debtors – January 2015	14,000
Cash sales	729,000
Cash remitted to Head Office by customers	28,000
Goods returned: By branch to Head office	11,700
By credit customers to branch	15,700
By credit customers to head office	1,200
Goods transferred by the branch to Litein branch	45,000
Goods issued to branch by Head office (at selling price)	783,000
Cash remitted to Head Office by Branch	720,000

The amount due from credit customers on 31st March was shs 9,600. Goods (at sales value of shs 6,600) lost in transit from Head Office to the Branch, the actual stock on that date was in agreement with the book figures. A claim was made with the insurance company in respect of the lost stock and a sum of shs 5,000 was accepted in full settlement.

Hint: Branch stock, Branch debtors, Branch adjustment, Goods sent to Branch and Branch Profit and Loss accounts)

Question Three

Goods are invoiced by Patel Brothers (Consignor) to his agent Ashok retailers at selling price. The agent reports on sales made and collection of book-debts by him by monthly advice. Ashok brothers receive 5% commission on cash collected plus an allowance of expenses at the rate of shs 4,000 per month.

During the half year ended 30th September, 2015, goods were invoiced to the agent at a value of shs 806,000. Such goods cost Patel Bothers shs 590,000 plus freight and packaging charges of shs 37,400 thereon.

During the same period, sales were made by the agent amounting to shs 684,000. Debts collected amounted to shs 576,000 and discounts allowed amounted to shs 4,000. The agent remitted shs 560,000 to the consignor

Some of the goods consigned were damaged in transit and a claim on the insurance company was settled at shs 12,400.

On 30th September, 2015 the unsold stock with the agent was valued at shs 82,000.

Required:

Prepare the consignment account and the Consignees account in the Books of Patel Brothers (Consigner) for the half year to 30th September, 2015.

Question Four

Ababu, Bagaya and Chausiku who have been in Partnership sharing profits and losses in the ratio 3:2:1 respectively have provided the following Balance sheet:

Non-current assets:

Freehold Property		1,220,000
Machinery		160,000

Current Assets:

Stock	450,000	
Debtors	750,000	
Cash at bank	<u>800,000</u>	
	2,000,000	
Less: Creditors	<u>1,200,000</u>	<u>800,000</u>

2,180,000

Less: Non-current Liability – Loan

100,000

2,080,000

Financed By:

Capitals:

Ababu		570,000
Bagaya		480,000
Chausiku		250,000

Current accounts:

Ababu	350,000	
Bagaya	300,000	
-Chausiku	130,000	<u>780,000</u>
		<u>2,080,000</u>

The balance sheet was drawn on the day they resolved to dissolve the partnership.

Additional information:

- I. The assets were sold and realised the following amounts:
 - a. Freehold property shs 1,340,000
 - b. Machinery 175,000
 - c. Stock in trade 415,000
 - d. Debtors 720,000
- II. The partners incurred shs 35,000 on realization
- III. Only part of Machinery was sold. The balance was taken over by Ababu at shs 22,000
- IV. The trade creditors agreed to take shs 7 for every shs 10 owed to them
- V. The loan was paid in full

Required:

Open the necessary accounts to close the partnership

Question Five

Kalamazoo Limited operates two retail stores in Nairobi's industrial area. For the year ending 31.12.2011 they had the following balances in their books:

Particulars		Dr	Cr
Capital			300,000
Land and Buildings		125,000	
Furniture		25,000	
Opening Stock	Dept A	30,000	
	Dept B	40,000	
Purchases	Dept A	1,000,000	
	Dept B	1,500,000	
Sales	Dept A		2,000,000
	Dept B		3,200,000
General Expenses		1,400,000	
Sundry Debtors		200,000	
Sundry Creditors			100,000
Drawings		280,000	
Cash and Bank		100,000	
		5,600,000	5,600,000

Further Information:

- Closing Stock Dept A - Shs. 130,000 including goods from Dept. B Shs. 40,000 to Dept A
- Dept B - Shs. 260,000 including goods from Dept. A Shs. 90,000 at cost to Dept. B.
- Sales of Dept. A includes transfer of goods to Dept B of value Shs. 200,000 and sales of Dept B include transfer of goods to Dept A of value Shs. 30,000. Both transfers are at market price to transfer department.
- Opening stock of department A and department B include goods valued at Shs. 10,000 and Shs. 15,000 taken from departments.
- Depreciate land and buildings by 15% and furniture by 10%

Required:

Prepare trading, general profit and loss account and balance sheet. (23.3 marks)