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(Knowledge for Development)

**KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS**

2021/2022 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR COMMERCE

COURSE CODE: BCA311

COURSE TITLE: SPECIALISED ACCOUNTING

DATE: 26TH JANUARY 2022 **TIME:** 9.00AM - 11.00 AM

INSTRUCTIONS TO CANDIDATES

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B

2. Question **one** carries **30** marks and each of the other two questions carry **20** marks each.

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

QUESTION ONE

- (a) Briefly Explain the following terms as used in the accounts of professional practitioners
- i. Office Account (2mks)
 - ii. Client Account (2mks)
 - iii. Costs charged to Clients (3mks)
 - iv. Work in progress (3mks)
- (b) Explain five objectives of farm accounting (10mks)
- (c) Distinguish between hire purchase and operating lease highlighting how each is accounted for (10mks)

QUESTION TWO

The Following balances were extracted from the books of Bwibo farms

	DR	CR
	SHS	SHS
Debtors /Creditors	21,000	30,000
Cash in hand and at bank	100,000	
Purchase		
Seeds	5000	
Fertilizers	16,000	
Cattle	30,000	
Cattle feed	108,000	
Sales		
Cattle		48,000
Corn		425,000
Milk		257,000

Capital		503,000
Stocks 31.12.2003		
Cattle	150,000	
Growing crops	60,000	
Cattle feed	10,000	
Seeds	5,000	
Fertilizers	5,000	
Repairs and maintenance	22,000	
Farm equipment	150,000	
Salaries and wages	54,000	
General expenses	77,000	
Land and building	<u>450,000</u>	<u> </u>
	<u>1,263,000</u>	<u>1,263,000</u>

Adjustment

1. Farm equipment is to be depreciated at the rate of 20% using straight line method.
2. Drawings cash 30,000.00
Farm produce 5,000.00
3. Stocks, valuation as at 31st December 2004
Cattle Sh.100, 000
Feed Shs. 6,000.00 Fertilizers Shs .4,000.00

Required

- a) Prepare income statement for the year ended 31 December 2004 (15 marks)
- b) Statement of financial position as at 31st December 2004 (5 marks)

QUESTION THREE

The trial balance of Haki advocates as at 31 December 2012 showed the following balances

DR	CR
Shs	Shs

Capital		100,000
Drawings	200,000	
Furniture	80,000	
Provision for unrealized profits		140,000
Salaries	120,000	
Rent	24,000	
Work in progress (31.1.2011)	40,000	
Client's disbursements	40,000	
Office expenses	48,000	
Client's deposit account		120,000
Client's bills of cost delivered	200,000	
Library books	100,000	
Creditors for expenses		12,000
Profit costs		800,000
Bank-clients	119,000	
- office	161,000	
Cash	40,000	
	<u>1,172,000</u>	<u>1,172,000</u>

Additional information

- I. Work in progress as at 31st December 2012 is valued at Shs 56,000
- II. The provision for unrealized profits should be 100% of the profit cost billed but not yet paid as well a profit cost not billed.
- III. Depreciation is provided at the following rates;
 - a. Furniture 10%
 - b. Library books 5%
- IV. Disbursements on behalf of clients in the amount of Shs 4,000 were erroneously debited to office expenses and has not been charged to clients.
- V. Shs 1,000 of the disbursement has been paid but was debited to the client's deposit account.

Required

- a) Income statement for the year ended 31 December 2012 (15 marks)
- b) Statement of financial position as at 31 December 2012 (5 marks)

QUESTION FOUR

The following balance were extracted from the books of Ngao Insurance Company limited as on 31st December 2011.

	Shs 000	shs 000
Engineering insurance		
Net premium written		40,000
Unearned premiums 1.1.2021		7200
Claims paid	9600	
Outstanding claims 1.1.2021		1400
Commissions	7200	
Expenses of management	3100	
Motor vehicle insurance:		
Net premiums written		64,000
Unearned premium 1.1.2021		18,500
Claims paid	46,500	
Outstanding claims 1.1.2021		24,000
Commissions	12,400	
Expenses of management	8,600	
Personal accident insurance		
Net premium written		70,000
Unearned premium 1.1.2021		10,400
Claims paid	21,650	

Outstanding claims 1.1.2021		3,600
Commissions	8,100	
Expenses of management	10,300	
Marine insurance		
Net premium written		96,700
Unearned premium 1.1.2021		24,000
Claims paid	56,400	
Outstanding claims 1.1.2021		13,500
Commissions		2,100
Expenses of management	18,450	
Free hold, land and building	327,500	
Depreciation 1.1.2021		17,000
Motor vehicles	16,500	
Depreciation 1.1.2021		6,600
Computer equipment	24,600	
Depreciation 1.1.2021		8,100
Furniture fixtures and fittings	1,260	
Depreciation 1.1.2021		42
Investments	360,000	
Sundry debtors	11,600	
Short Term Investment	1,240	
Cash and bank balance	5,120	
Sundry creditors		8,640
Share Capital		250,000
Interest and investment income		115,000
Profit and loss account		169,338
	<u>950,120</u>	<u>950,120</u>

Additional information

- a) The company calculates unearned premium on the following basis;
- I. 30% of engineering insurance premiums
 - II. 25% of motor vehicles insurance premiums
 - III. 40% of personal accident insurance premiums
 - IV. 45% of marine insurance premiums
- b) Outstanding claims
- i. Engineering insurance Shs.2,300,000.00
 - ii. Motor Vehicle insurance Shs. 27,500,000.00
 - iii. Personal accident insurance Shs.4,450,000
 - iv. Marine Insurance Shs.17,550,000
- c. Provide for Auditors fees Shs.5, 000,000 legal fees Sh.1, 250, 000, taxation Shs. 13,500,000
- d. Provision for depreciation is made using the straight line method at the following rates
- Building 2%
- Motor vehicles 20%
- Computer equipment 15%
- Furniture fixtures and fittings 5%
- The cost of the building is Shs.227, 500, 00
- Required:
- a) Prepare general insurance Business revenue account. (5marks)
 - b) Income statement for the year ended 31 December 2011 (7 marks)
 - c) Statement of financial position as at 31 December 2011 (8 marks)

Required

- d) Prepare general insurance Business revenue account. (5marks)
- e) Income statement for the year ended 31 December 2011 (7 marks)
- f) Statement of financial position as at 31 December 2011 (8 marks)

QUESTION FIVE

The following information and balance were extracted from the books of accounts of National bank of Kenya as 31st December 2020

Trial Balance

	Sh (000)	Sh (000)
Capital (Authorized and issued -100,000 shares of Sh. 50 each		
Reserve Fund		5,000
Land and Building		6,250
Investments:Govt:Securities	1,500	
Shares	17,000	
current deposit	7,950	
savings accounts		22,750
compulsory deposits (contra)		8,260
fixed and time deposits		1,000
Liability for customers' acceptance (contra)	7,584	17,590
Compulsory deposit (contra)	1000	
Furniture,fixture and office equipment	250	
Bills purchased and discounted	17,750	
Loans	20,850	
Bills for collection	9,050	
Interest accrued on investments	438	
Depreciation on assets	250	
Interest paid	600	
Exchange and commission		
Paid		
Salaries	50	
Director's fees	1,200	
Stationery & postage etc	50	
Miscellaneous expenses	200	
Money at call	150	
Non -banking assets	750	
Sundry creditors	25	
Debt due to banks (secured)		228
Bill receivable		6,100
Customers' liability for acceptance		9,050
Rebate on bills discount		7,584
Branch adjustment (credit)		8
Interest and discount received		2,276
Exchange and commission received		2,900
		878

Profit and loss account		426
Cash in hand	653	
Cash at bank (other banks)	3,000	
	<u>90,300</u>	<u>90,300</u>

Additional information

- I. Make a provision for corporation tax Sh.500, 000
- II. Current Account includes Sh.4, 250,000 debit balances being overdraft.
- III. One of the account Sh. 50,000 (including Sh. 5,000) is doubtful.
- IV. During the year a property was acquired in satisfaction of a claim amounting to Sh.25, 000 and was sold for Sh.18, 000. The loss resulting therefrom remained unadjusted in the books.

Required

- a) Prepare income statement for the year ended 31 December 2020 (10 marks)
- b) Statement of financial position as at 31 December 2020 (10 marks)