



(KNOWLEDGE FOR DEVELOPMENT)

**KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS**

2022/2023 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA 311

COURSE TITLE: SPECIALISED ACCOUNTING

DATE: 21ST DECEMBER, 2022 TIME: 2.00PM – 4.00PM

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

SECTION A (COMPULSORY)

QUESTION ONE

(a) List and explain three problems encountered by accountants in accounting for agricultural activities.
(6 marks)

(b) Given below is the trial balance of ABC Farm Ltd as at 31 December 2011:

	Sh.'000'	Sh.'000'
Ordinary share capital		5,000
Share premium		400
Land and buildings		
Farm machinery	4,500	
Sundry debtors	2,200	
Cash in hand	580	
Loan (crop)	320	
Retained profits		800
Bank overdraft		500
Accumulated depreciation – Farm machinery		120
Sundry creditors		440
Stocks on 1 January 2011:		300
Growing crops, wheat, seeds and fertilizers		
Livestock	180	
Farm labour	280	
Salaries and wages:	105	
Manager		
Farm labour	120	
Office expenses	110	
Crop expenses	280	
Livestock expenses	210	
Livestock purchases	250	
Purchase of feeding materials	670	
Farmhouse expenses	120	
Staff meals	25	
Repairs to machinery	10	
Interest on loan	30	
Tools and implements	40	
Sales of wheat	120	
Sales of livestock		1,050
Manager's account		1,500
	<u>10,150</u>	<u>10,150</u>

The following additional information is provided:

1. On 31 December 2011, the value of stocks were as given below:

	Sh.'000'
Livestock	240
Feeding materials	130
Growing crops, wheat, seeds and fertilisers	20
Tools and implements	100

2. Depreciation on tools and implements is apportioned equally between livestock and crop activities.
3. Farm machinery is depreciated at the rate of 5% per annum on cost.
4. Manager's salary and staff meals should be divided between livestock and crop activities in the ratio 3:2 respectively.

Required:

- (i) Livestock account for the year ended 31 December 2011. (8 marks)
- (ii) Crop account for the year ended 31 December 2011. (8 marks)
- (iii) Balance sheet as at 31 December 2011. (8 marks)

(Total: 30 marks)

SECTION B (CHOOSE ANY TWO QUESTIONS)

QUESTION TWO

K Advocates have been in practice for several years. The books of accounts show the following information:

Statement of Financial Position as at 30th April 2011

	Sh.'000'	Sh.'000'	Fixed Assets	Sh.'000'	Sh.'000'
Capital		827	Furniture & Fittings	24	
			Equipment	71	
Current Liabilities			Motor vehicles	<u>376</u>	471
Clients A/c	782		Fees arrears	120	
Accrued rent	34		Cash at bank		
Accrued salaries	<u>33</u>	849	Office a/c	303	
		-	Client a/c	<u>782</u>	<u>1,205</u>
		<u>1,676</u>			<u>1,676</u>

The details of receipt and payments for the year ended 30 April 2012 is as given below:

Receipts	Sh.'000'	Payments	Sh.'000'
Fees for services rendered	888	Office rent	224
Disbursements:		Salaries and wages	230
Stationery	12	Equipment purchased	149
Transport	15	Telephone postage	73
Miscellaneous	23	Miscellaneous expenses	52
Deposit for land buying for client	384	Water and electricity	35
Deposit for a criminal case from client	324	Printing and stationery	38
		Transport	56
		Motor vehicles expenses	98
		Office repairs	18
		Deposit on land sale contract for client	230
		Drawings	150

Additional Information:

- (i) Interim fee note of Sh.125,000 was debited to the client accounts for the criminal case.
- (ii) Disbursement for stationery, Sh.5,000, transport Sh.3,000 and miscellaneous Sh.1,000 have been charged to the clients a/c.
- (iii) Accrued expenses amounted to Sh.5,000, Sh.27,000 and Sh.28,000 for telephone, rent and salaries respectively.

- (iv) Depreciation is provided for on reducing balance method at 12.5%, 15% and 25% on furniture and fittings, equipment and motor vehicles respectively.
- (v) Fees in arrears amounted to Sh.320,000

Required

- (a) Advocate's income statement for the year ended 30 April 2012. (8 marks)
- (b) The client's account for the year ended 30 April 2012 (6 marks)
- (c) Statement of Financial Position as at 30 April 2012. (6 marks)

(Total: 20 marks)

QUESTION THREE

- a) Distinguish between "leasing" and "hire purchase" highlighting how each is accounted for.
- b) Kopesha Limited has been in business for several years dealing in electronic goods. All the firm's goods are sold on hire purchase terms. The following trial balance extracted from the books of the firm as at 31 March 2006:

	Sh.'000'	sh.'000'
Ordinary share capital		53,200
Cash at bank and in hand	1,800	
Accounts payable		5,000
Operating expenses	16,000	
Property, plants and equipment (1 April 2005)	55,000	
Depreciation (1 April 2005)		20,000
Hire purchase installments receivable	34,200	
Hire purchase sales		55,200

Purchases	24,600	
Inventory (1 April 2005)	<u>1,800</u>	_____
	133,400	133,400

Additional information:

- Inventory as at 31 March 2006 was valued at sh.2,400,000.
- Property, plant and equipment should be depreciated at sh.5,000,000 for the year ended 31 March 2006.
- Each unit was sold on hire purchase basis on the following terms:

	Sh.	Sh.
Cash price	40,000	
Deposits	<u>(10,000)</u>	30,000
Interest		<u>6,000</u>
		<u>36,000</u>

4 Assume that all sales are made at the end of each quarter. The quarters end on 31 March, 30 June, 30 September and 31 December respectively. The balance due on each hire purchase sale is payable in four equal installments of Sh. 9,000 per quarter payable at the end of each quarter and commencing in the quarter following that in which the sale was made.

- 5 The number of units sold during each quarter were made as follows:

Quarter to	Number of units sold.
30-Jun-05	100
30-Sep-05	200
31-Dec-05	300
31-Mar-06	600

All installments were received on their due dates.

- 6 The sum of digits method is to be used to apportion interest, the appropriate amount being credited to the quarter in which an installment is received.

- 7 Included in the operating expense is a lease rental payment of Sh.2,000,000 paid at the commencement of the financial year. This relates to equipment whose fair value is Sh.8,000,000. The payment has been treated as an operating lease whereas it is a finance lease . The duration of the lease is 5 years and interest is at 10% er annum. Lease rentals are paid in advance.

Required:

- (i) Income Statement for the year ended 31 March 2006 (8 marks)
- (ii) Statement of Financial Position as at 31 March 2006 (6 marks)
- (Total: 20 marks)

QUESTION FOUR

The following trial balance was extracted from the books of ABC General Insurance Company Ltd. As at 30 June 2015:

	Sh. '000'	Sh. '000'
Claims paid	2,840	
Premium received:		
Direct insurance business		7,280
Re-insurance business		1,320
Claims outstanding (1 July 2014)		410
Premiums due from re-insurance companies (1 July 2014)	180	
Re-insurance premiums paid	890	
Creditor		850
Investment income		180
Management expenses	850	
Treasury bonds	2,850	
Quoted investments	1,250	
Motor vehicles	3,800	
Leasehold property	5,500	
Equipment	1,800	
Debtors	1,535	
Bank balance	390	
Premiums due – direct insurance business (1 July 2014)	415	
Premiums due to re-insurance companies (1 July 2014)		260
Ordinary share capital		5,000
Share premium		2,000
General reserve		960
Investment fluctuation reserve		440
Retained earnings		1,580
Salaries	820	
Rent and rates	120	

Directors remuneration	485	
Legal expense	380	
Depreciation	900	
Commission on re-insurance ceded		45
Commission on re-insurance accepted	70	
Unearned premium (1 July 2004)		<u>4,750</u>
	<u>25,075</u>	<u>25,075</u>

Additional information:

1. On 30 June 2015, the premium due from re-insurance companies was Sh. 420,000 while the premium due to re-insurance companies was Sh. 180,000.
2. Claims amounting to Sh. 285,000 were estimated to be outstanding as at 30 June 2015.
3. As at 30 June 2015, direct insurance business premiums due amounted to Sh. 385,000.
4. Current tax due is estimated at Sh. 510,000.
5. Unearned premium outstanding as at 1 July 2014 consisted of Sh. 4,200,000 for fund balance (reserve for unexpired risk) and Sh.550,000 for additional reserve. The policy of the company is to maintain the fund balance at 50% of the net written premium and to adjust the additional reserve upwards by 5% of the net written premium.
6. Out of the total legal expenses incurred in the year ended 30 June 2015, Sh. 245,000 was on claims made.
7. The market value of the quoted investments as at 30 June 2015 was Sh. 1,200,000. The company has a policy of maintaining the investments at market value.
8. The directors have recommended a first and final dividend of 10%.
9. The company carries out only fire insurance business.

Required

- a) Revenue account for the year ended 30 June 2015.
- b) Statement of Financial Position as at 30 June 2015.

QUESTION FIVE

The following trial balance was extracted from the books of Regional Commercial Bank Ltd as at 31 March 2006:

	Sh.'000'	Sh.'000'
Property and equipment	14,427	
Interest on loans and advances		8,395
Interest on customers'	5,308	
Customers deposits		82,230
Shares capital		10,000
Revaluation reserve		2,480

Staff costs	2,184	
Borrowed funds		3,520
Directors emoluments	645	
Depreciation on property and equipment		815
Other interest income		430
Specific provision for doubtful debts		2,750
Interest on government securities		4,768
Other operating expenses	1,630	
Repair and maintenance	210	
Printing and stationary	278	
Deposits and placements due from banking institutions	8,560	
Loans and advances to customers	67,655	
Deposits and placements due to other banking institutions		6,410
Interest on deposit and placements with other banking institutions		3,800
Other interest expense	314	
Interest paid on deposits and placements from other banking institutions	1,280	
Cash and balances with the Central Bank of Kenya	3,630	
Interim dividend paid	400	
Bad debts written off	279	
Share premium		3,000

Fees and commission income		764
Dividend income		408
Investment in securities	5,460	
Miscellaneous accruals		140
Government securities	13,200	
Retained profit (1 April 2005)		2,480
Other assets	<u>5,300</u>	
	131,575	131,575

Additional information:

- An analysis of the debtors balances as at the end of the year showed that an additional provision of sh.1,850,000 for non-performing loans should be made.
- A provision of sh.1,050,000 should be made for tax on the profit for the year ended 31 March 2006.
- Interest accrued and not accounted for in the books as at 31 March was as follows:
 - On loans and advances sh.642,000
 - On customers' deposits sh.448,000
- The directors of the bank have proposed a final dividend of 6%.

Required:

- Income statement for the year ended 31 March 2006 (12 marks)
 - Statement of financial position as at 31 March 2006. (8 marks)
- (Total: 20 marks)**