



(*Knowledge for Development*)  
**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2022/2023 ACADEMIC YEAR**

**DEGREE THIRD YEARS SECOND SEMESTER**

**MAIN EXAMINATION**

**FOR THE DEGREE IN BUSINESS MANAGEMENT**

**COURSE CODE: BCA 311**

**COURSE TITLE: SPECIALISED ACCOUNTING**

**DATE: 12TH APRIL, 2023**

**TIME: 9.00AM – 11.00AM**

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**INSTRUCTIONS TO CANDIDATES**

1. Answer a total of **three** questions; question **one** and any other **two** questions.
2. Question **one** carries **30** marks and each of the other two questions carry **20** marks each.

**TIME: 2 Hours**

## SECTION A

### QUESTION ONE

- a) In preparation of proper farm accounts, there are peculiar features of farm accounting based on its characteristics. Expound?
- b) What are the objectives of farm accounting and from the following trial balance of Old McDonald, prepare a trading profit and loss account for the year ended 31 Dec 2022 and a balance sheet as at that date.

Old McDonald's Farm  
Trial balance as at 31 Dec 2022

Sh		Sh
Opening Stock: Livestock	30,500	
Paddy	2,000	
Cattle feed	1,400	
Fertilisers	1,100	
Purchases: Livestock	5,800	
Fertilisers	1,200	
Seeds	600	
Cattle feed	3,400	
Crop expenses: Labour	3,600	
Other direct expenses	400	
Livestock expenses: Medicines	600	
Labour	3,600	
Dairy expenses	800	
General expenses	6,000	
Tractor (NBV)	18,000	
Land	50,000	
Cash at bank and in hand	8,500	
Sales: Milk		15,200
Paddy		26,300
Livestock		4,500
Creditors		5,900
Capital		<u>85,600</u>
	<u>137,500</u>	<u>137,500</u>

- i) Adjustments:
- |                 |           |
|-----------------|-----------|
| Closing stocks: | Livestock |
|                 | Sh.30,000 |
|                 | Sh        |
| Paddy           |           |
| 1,500           |           |
| Cattle feed     | Sh 900    |
| Fertilisers     | Sh 600    |



- |      |  |          |
|------|--|----------|
| ii)  | Drawings from the farm by Old McDonald were: | Sh 2,400 |
|      | Milk etc                                     | Sh 600   |
|      | Paddy  |          |
| iii) | Provide 20% depreciation on the tractor      |          |

**(Total: 30 marks)**

### SECTION B

**(Choose any two Questions)**

#### QUESTION TWO

ABC Ltd acquired 2 new computers on 1 Jan. 1990 for kshs.129, 150. The cash price of these units was Kshs.90,000. The deal was financed by TSTP (financing) Ltd., and the terms of the hire purchase contract required a deposit of kshs.30,000 on delivery, followed by 3 installments on 31 Dec. 1990, 1991 and 2020 of kshs.33,000, kshs.33,000, and kshs.33,150 respectively. The true rate of interest was 30% per annum. Depreciation is to be charged on vehicles at 20% per annum, using straight line method while interest is apportioned on reducing balance method and interest is recognized on installment basis.

**Required:**

Prepare the appropriate accounts in the books of ABC Ltd.

**(Total: 20 marks)**

#### QUESTION THREE

Adongo and Co. Advocates, maintains separate bank accounts for its clients and for its own. On January 1, 2020 the balance at the bank on the office account was Shs.1.5m and on the client account was Shs.5m, made up of: -

	Shs'm
Mzee KizitoTrust	2.50
Muthangari Women Group	0.50
Nyumba Estates	0.25
Deni factors Ltd	1.25
Nyakua Land Buying Co.	<u>0.50</u>
	<u>5.00</u>

The following transactions took place during the month of January.

- |     |   |  |
|-----|---|--|
| Jan | 2 | Paid Shs.100,000 fire Insurance premium for a house belonging to Mzee KizitoTrust. |
|     | 4 | Received Shs.50,000 rent on behalf of Nyumba Estates.                              |

- 5 Paid Nyumba Estates Shs.285,000 being rent collected for December 1991 less agreed costs.
- 6 Received Shs.500,000 from AZ Ltd. being a debt due to Deni Factors Ltd.
- 7 Received Shs.1m from Settler Ltd. in advance of professional services to be rendered.
  
- 9 Paid Shs.2m into Adongo & Co. Advocates client fixed deposit account on behalf of Mzee KizitoTrust.
- 10 Paid Deni Factors Ltd. Shs.1.7m being debts collected on its behalf, less costs as agreed.
- 11 Drew, as agreed, Shs.25,000 on account of costs from Muthangari Women's Group.
- 15 Paid telephone Shs.3,000 and electricity Shs.1,500.
- 16 Paid Shs.300,000 to Kamau, at the request of Nyakua Land Company.
- 17 Received Shs.20m from A. Company Ltd. on behalf of Settler Ltd. as sales proceeds for land sold in Nyandarua District.
- 20 Debited costs of Shs.220,000 against Nyakua Land Company and an additional Shs.2m against Settler Ltd, and paid the balance due.
- 25 Received insurance compensation of Shs.1.5m for the late Mzee Kizito which was to be paid to his Trust.
- 28 Paid salaries Shs.250,000 rent 15,000.  
Purchased stationery Shs.30,000.
- 29 Paid repairs Shs.100,000 for Mzee KizitoTrust house.
- 31 Debited costs Shs.25,000 against Mzee KizitoTrust.

Required

Write up the cashbook and the client's Ledger Accounts for the month of January 2020.

**(Total: 20 marks)**

#### QUESTION FOUR

The following balances were extracted from the books of Wakulima Bank as at 31 December 2020.

	Shs '000	Shs '000
Interest on loans		40,000
Interest on overdrafts		15,000
Discounts earned on bills discounted		35,000
Reserve fund		100,000
Share premium		87,500
Commission exchange & brokerage received		22,500
General charges recovered		825
Profit and Loss B/F		81,330
Ordinary share capital		150,000
Current account deposits		958,000
Savings A/C deposits		146,500
Fixed deposits		353,500
Deposits from other banks		183,000



Sundry Creditors	350,000	9,685
Acceptances & endorsements	500,000	350,000
Investment in government securities	249,500	
Investment in Shares	22,500	
Furniture & Fixtures (NBV)	540,000	
Loans	121,500	
Overdrafts	496,500	
Bills discounted (and purchased)	18,000	
Interest paid on deposits	1,500	
Exchange and commission paid	5,500	
Stationery & advertising	5,000	
Miscellaneous expenses	37,500	
Salaries & wages	52,500	
Land & Buildings	10,340	
Cash in hand and with CBK	100,000	
Balances with other banks	<u>22,500</u>	
Money at call and at short notice	<u>2,532,840</u>	<u>2,532,840</u>

**Notes:**

1. Provision is to be made as follows:
  - a) Provision for doubtful debts – Sh1,500,000
  - b) Provision for taxation (corporate) at 35% of net profit
  - c) Provision for depreciation on furniture and fixtures at 20% on written down value
2. Rebate on discounted bills amounted to Sh2,500,000 as at 31 Dec 2020
3. The directors require the bank's investment in shares to be shown in the balance sheet as market value on 31 Dec 2020 – which was Sh250,000,000.
4. Liability on bills rediscounted is Sh385,000
5. Liability in respect of forward exchange contracts outstanding is Sh5,200,000
6. Interest earned on investments, but not yet received is Sh13,125,000.

**Required:**

- 1) Profit and Loss account for Wakulima bank for the year ended 31 Dec 2020; and
- 2) Balance sheet as at 31 Dec 2020.

**(Total: 20 marks)**