KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

BAC 402: SPECIALIZED ACCOUNTING TECHNIQUES

DATE: Wednesday, 22nd November, 2017 **TIME:** 11.00 a.m. - 1.00 p.m.

INSTRUCTIONS:

Answer ALL the questions

1. Shah of Nairobi consigned 100 cases of medicine to Ahmed of Wajir 1st January 2017. Each case costs shs. 1000. The goods are to be sold at 25% above cost. Any deficiency in selling price was to be borne by Ahmed. Ahmed was however entitled to a special commission @ 25% of any surplus prier realized. Ahmed was further entitled to an ordinary commission of 5% and a Del credere commission of 2 ½% on all sales.

   Shah incurred the following expenses:

Packing charges	shs	6000
Loading charges		1000
Lorry hire		12000
Railway freight		21000

   The cases were received by Ahmed on 15th January 2017. The account sales received by Shah on 30th June 2017 revealed the following.

   40 cases sold on 21/3/2017 @ shs. 1500 per case, 30 cases sold on 24/5/22017 @ shs 1200 per case, 10 cases sold on 15/6/2017 @ shs. 1300 per case, 5 cases of medicine were stolen by a dishonest employee. A compensation of shs. 2000 was realized from him. Ahmed incurred unloading charges of shs. 3000. Ahmed enclosed a bank draft for the balance due.

   Required: Necessary accounts in the books of Shah. (25 marks)

2. X and Y entered into a joint venture to purchase and develop certain lands as Industrial Estate. For that purpose, a joint bank account was opened wherein X deposited shs. 6000000 and Y deposited shs. 4000000. A piece of land measuring 18000 square meters was purchased at shs. 300 per square meter. The following expenses were paid from the joint bank account:

Cost of earth filling to level land shs. 1400000	
Compensation paid to a squatter for vacating possession 500,000	
County taxes	200,000
Cost of barbed wire fence	300,000
Architects fees for plans	100,000
Stamp duty and solicitors fees	600,000
General Expenses	200,000
Income from sole of timber	200,000

It was decided to sell land in smaller plots of 500 square meters each. One sixth of the area was left over for public roads. 10 plots were sold at shs. 1200 per square meter through the brokers who were paid a commission of 2% brokerage on the sale price of the land. X retained one plot of land for his own use at an agreed price of shs. 500,000. The other plots were sold at a consolidated price of shs. 7,620,000 directly. X and Y shared the profit/loss in preparation to the amount invested by them. All the transactions have been effected through the bank.

Required: i) Joint venture account

ii) Accounts of X and Y

Assume all account are settled. (25 marks)

3. Nairobi chemicals, Ltd supply their products in return able containers. A container is invoiced to the customer at shs. 50 but if it is returned within two months, shs 45 is credited to the customer. A container cost shs 40 to the company and it life is estimated at 5 years and the end of which the useful to scrap value is likely to be shs. 5.

The following particulars are provided to you:

	No's
Containers with customers (1/1/16)	20000
Containers in stock (1/1/16)	4000
Containers rent to customers during the year 2016	80000

Containers returned by customers	85000
Containers returnable	12000
Containers purchased during the year	5000
Containers condemned during the year;	
Useful life being over	1000
Amount realized by sale of condemned containers	6000

Depreciation is to be provided on a straight line basis.

Required: i) Containers stock account

ii) Containers suspense account

iii) A certain the profit and losses earned or incurred in the year assuming a separate account for provision for depreciation is maintained. (10 marks)

4. The contract ledger of a company showed the following expenditure of account of a contract at 31st December 2016.

	Shs.
Materials	1200000
Plant	200000
Wages	1644000
Establishment charges	86000

The contract was commenced on January 1 2016 and the contract price was shs. 6000000. Cash received on contract to date was shs 2400000 representing 80% of the work certified, the remaining 20% being retained until completion. The value of materials on hand was shs. 40000 and the cost of work finished and not certified at 31st December 2016 was shs. 60000

Required: The contract account (10 marks)