



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY - APRIL 2017 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCAC 300

COURSE TITLE: SPECIALIZED FINANCIAL ACCOUNTING

DATE: 3 APRIL 2017

TIME: 8.00 AM – 11.00 AM

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: All exam rooms are under CCTV surveillance during the examination period.

SECTION A:

QUESTION ONE:

- a) Bills of exchange are used in paying transactions. Explain the essentials of bills of exchange (14 marks)
- b) The following balances were extracted from the books of all people's assurance company in 2014.

Life Assurance fund	1,470,562
Claims by death:	76,980
By maturity	56,420
By premiums	210,572
Expenses of management	19,980
Commissions	26,541
Consideration for annuities granted	10,620
Interest dividends	52,461
Income tax on these (paid)	3,060
Surrenders	21,860
Annuities	29,420
Bonus paid in cash	9,450
Bonus utilized in reduction of premium	2,500
Preliminary expenses	400
Claims admitted but unpaid at year end	80,034
Annuities payable	22,360
Paid up share capital	400,000
Government securities	1,490,890
Sundry assets	509,110
Fines for revising lapsed policies	92

Additional Information:

- i) Claims covered under reinsurance –sh. 10,000- claim by death
- ii) Further claims intimated - sh. 8,000- claim by death
- iii) Further bonus utilized in reduction pf premium Sh. 1,500
- iv) Interest accrued – sh15,400
- v) Premium outstanding – sh 7400

REQUIRED:

- a) Prepare a trial balance as at Dec 2014 (8 marks)
- b) Revenue account for the peoples assurance company (7 marks)
- c) Balance sheet as at Dec 2014 (5 marks)
- d) Explain the main types of royalties (6 marks)

SECTION B

QUESTION TWO:

- a) Discuss the reasons as to why and advocate may withdraw from a client account
(10 marks)
- b) Consignment are used to ascertain the value of goods. Discuss the differences between consignment and sales.
(10 marks)

QUESTION THREE:

- a) Quinter and Prisca entered into a joint venture, effective from 1 January 2015 to repair television sets and audio equipment . it was agreed that Quinter would secure orders collect the items from customers , transport them to Prisca (who would carry out the repair work) deliver them back to the customers and collect cash. Each party was to charge his expenses against the joint venture and profits and losses were to be shared 2:3 ,settlement to be made quarterly. In arriving at the profits or loss work in progress was to be disregarded.

During the 1st quarter 2015 the following transactions arose .Quinter assisted in financing Prisca by sending \$1m in a cheque of \$600. Prisca bought a stock of spares, components and other materials for \$700 of which \$400 worth were still in stock at 31 March 2015.

- Quinter placed advertisements in the local papers at a cost of \$100 and collected cash from customers amounting to \$4900.
- Wages paid to part time staff by Prisca totaled \$1950 and Quinter \$550
- An allowance was made of Prisca \$500 for vehicle running expenses and \$200 to each party for use of their general expenses.

Required:

1. Prepare a joint venture account from Quinter account (5 marks)
2. Prepare a joint account from Prisca account (5 marks)
3. Prepare a memorandum joint venture (4 marks)
4. Explain the 6 features of longterm contract (6 marks)

QUESTION FOUR:

Using examples explain the following examples

- a) Retrocession (5 marks)
- b) Endowment (5 marks)
- c) Re-insurance (5 marks)
- d) Annuity (5 marks)

QUESTION FIVE:

- a) For preparation of proper farm accounts one should be familiar with the peculiar features of farm accounting. describe the characteristics in light with the above statement (10 marks)
- b) Explain the types of risks and the category of the insurance cover needed in the risk bracket (10 marks)