



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS

JANUARY - APRIL 2017 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCAC 303

COURSE TITLE: ADVANCED FINANCIAL ACCOUNTING

DATE: 3 APRIL 2017

TIME: 11.30 AM – 2.30 PM

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: COMPULSORY (40MARKS)

Question One

(a) Accounting assumptions are fundamental propositions concerning the economic and political environments in which accounting operate. Discuss five accounting assumptions or concepts. **(15Marks)**

(b) Financial statements or financial report is a formal record of the financial activities and position of a business. Discuss two disadvantages of financial statements. **(6marks)**

(c) Daima Ltd and Loka Ltd earn an annual profit of kshs. 600,000 each. Each of their capital consists of 24,000 shares of kshs. 400 each fully paid. Daima Ltd distributes 50% of its profits as dividend while Loka Ltd distributes 60%of its profits as dividend.

Required:

Find out the value of shares of each Daima Ltd and Loka Ltd. The normal Rate of Return (Dividend) is 10% p.a. **(15marks)**

(d) A provision is an amount set aside from a company's profits for an expected liability or for the decreasing value of an asset. Discuss two provisions found in financial statements. **(4marks)**

SECTION B

Question Two

(a) Accounting principles are the rules and guidelines that companies must follow when reporting financial information. Discuss five accounting principles and their importance. **(15marks)**

(b) Briefly explain the relationship between a holding company and a subsidiary. **(5marks)**

Question Three

- (a) Briefly explain two accounting policies which should applied on intangible assets. **(4marks)**
- (b) Write short notes on
- (i) Going Concern **(4marks)**
 - (ii) Differing accounting dates as used between group and associate companies **(4marks)**
 - (iii) Full disclosure **(4marks)**
 - (iv) Periodical assumption **(4marks)**

Question Four

- (a) Briefly describe two types of joint venture. **(4marks)**
- (b) The following information was extracted from the books of Kaki Ltd and Kola Ltd

Assets	Kaki Ltd	Sweety Ltd	Liabilities	Kola Ltd	Sweetly Ltd
Fixed Assets	800,000	120,000	Share capital Fully paid	1,000,000	200,000
Stock	600,000	240,000	Profit and Loss	400,000	120,000
Debtors	150,000	170,000	Reserve	120,000	60,000
Shares in Karo Ltd 37500	150,000		Bills payable	220,000	150,000
Bills receivable	40,000				
Total	1,740,000	530,000		1,740,000	530,000

Additional information

1. The bills accepted by Kola Ltd are in in the favour of Kaki Ltd
2. The stock of Kaki Ltd includes kshs. 50,000 bought from Kola Ltd at a profit of latter of 20% on sales
3. All profit of Kola Ltd has been earned since shares were acquired by Kaki Ltd here was the reserve of kshs. 60,000 at that date

Required:

- (i) Compute the cost of control or capital reserve **(3marks)**
- (ii) Compute the minority interest **(3marks)**
- (iii) Draw a consolidated balance sheet **(10marks)**

Question Five

- (a) IFRS are considered a “principles based” set of standards in that they establish broad rules as well as dictating specific treatments. They comprise of IFRS and IAS. Discuss IAS 16 on Property, Plant and Equipment. **(4marks)**
- (b) Goodwill in accounting is an intangible asset that arises when a buyer acquires an existing business. Goodwill represents assets that are not separately identifiable. Explain the treatment of goodwill. **(4marks)**
- (c) Valuation of shares refers to that price of a share of which shares are purchased, sold, transferred and tax is calculated. Discuss the valuations alternatives of fixed or non-current assets. **(12marks)**