



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS MAY - AUGUST 2018 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCAC 300

COURSE TITLE: SPECIALISED FINANCIAL ACCOUNTING

DATE: 6 AUGUST 2018

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: COMPULSORY

Question One

- 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) Many people are lured into taking insurance covers without knowing what exactly it entails. Explain the types of risks and the category of the insurance cover needed in the risk bracket
[10 marks]
- c) Uniqueness is very important to a business. Explain the main types of royalties
[10 marks]
- d) A long-term contract is a contract that is NOT completed in the same year that it was entered into and it contracts for the manufacture, construction, installation or building of property. Examples include construction of a bridge or a highway. Describe the features of long-term contracts
[10 marks]

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

- a) Wakulima limited is a farming business carrying out livestock, poultry and crop farming activities. Discuss the objectives of Farm Accounting
[10 marks]
- b) Insurance is a vital part of our lives which is not only a luxury but rather a necessity. Explain 5 canons of insurance.
[10 marks]

Question three

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:

- a) Prepare a joint venture account from Quinter account **[5 marks]**
- b) Prepare a joint account from Prisca account **[5 marks]**
- c) Prepare a memorandum joint venture **[4 marks]**
- d) Explain the 6 features of bills of exchange **[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) From the following information, prepare a Cattle Account to establish the profit made by the cattle division

particulars	Number	Value in shillings
Opening stock of livestock	50	900,000
Closing stock of the livestock	60	1,100,000
Purchases of cattle during the year	110	2,050,000
Sale of live cattle during the year	95	2,120,000
Sale of slaughtered cattle	6	120,000
Sale of carcasses	4	10,000
Cattle food		180,000
Wages for rearing cattle		45,000
Slaughter house expenses		5,000

Additional information: Crop worth sh.50,000 was grown on the farm and used for feeding cattle. Out of the calves born 2 died and their carcasses fetched sh.1000

Required prepare a Cattle Account **[10 marks]**

- b) Even lawyers need to keep books of accounts. Discuss the reasons as to why and advocate may withdraw from a client account **[10 marks]**