



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS JANUARY - APRIL 2023 SEMESTER**

### **DIPLOMA IN ACCOUNTING**

**COURSE CODE: DBAC 016**

**COURSE TITLE: SPECIALISED ACCOUNTING**

**DATE: 31 JULY 2023**

**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) Carol, Jane and Mary were partners in a joint venture, each contributing ksh 5000. Carol purchased goods for ksh.13000 and also supplied goods worth Ksh.1000 from his stock. Mary also supplied goods worth ksh.1500 from stock and his expenses in connection with the supplying of goods on account of joint venture amounted to Ksh.50. Carol paid Ksh.250 for expenses in connection with the joint venture. Carol sold goods on behalf of the joint venture and realized Ksh.20800. Carol was entitled to a commission of 5 percent on sales. Unsold goods amounting to Ksh.500 were taken over by Jane. Carol settled accounts of Jane and Mary by bank drafts.

Required:

Prepare Joint venture, Jane and Mary accounts in Carol's books. [15  
Marks]

b) Name five differences between consignment and sales [5  
Marks]

c) Define the following terms as used in consignment accounting

- i. Consignor [2
- ii. Consignee [2
- iii. Consignment [2

d) Explain what is a joint venture and give five examples of joint venture [10  
Marks]

e) What are the salient features of a joint venture [4  
Marks]

**SECTION B: ANSWER ANY THREE QUESTIONS**

**QUESTION TWO**

The following trial balance was extracted from the books Maendeleo Bank Ltd as at 31 March 2016.

	Sh."000"	Sh."000"
Property plant and equipment	28854	
Interest on loan and advances		16790
Interest on customer deposit	10616	
Customer deposit		164460
Share capital		20000
Revaluation reserve		4960
Salaries and wages	4368	
Borrowed funds		7040
Directors emoluments	1290	
Depreciation on plant equipment	1630	
Other interest income		860

Specific provision for doubtful debts		5500
Interest on government securities		9536
Other operating expenses	3260	
Repairs and maintenance	420	
Printing and stationery		556
Deposits and placement with other banks	17120	
Loan and advances to customer		135310
Deposits and placements due from other banks		12820
Interest received on deposits and placement		
From other banks		7600
Other interest expense	628	
Interest paid on deposits and placements		
With other banks	2560	
Cash and balances with central bank	7260	
Interim dividend paid	800	
Bad debts written off	558	
Share premium		6000
Fees and commission income		1528
Dividend income		816
Investment in securities	10920	
Miscellaneous accruals		280
Government securities	26400	
Retained earnings (1 April 2015)		4960
Other assets	10600	
	263150	263150

Additional information:

1. Analysis of debtors' balances at the end of the year revealed that an additional provision of sh.3700000 for non-performing loans should be made.
2. A provision of sh.2100000 should be made for tax on the profit for the year ended 31 March 2016.
3. Interest accrued and not accounted for in books as at 31 March 2016 was as follows:

	Sh.'000'
Interest on loans and advances	1284
Interest on customers deposits	896

4. Directors of the bank have proposed a final dividend at a rate of 5 %.

Required:

Prepare for Maendeleo Bank Ltd:

- i. Income statement for the year ended 31 March 2016. **[7 Marks]**
  - ii. Statement of financial position as at 31 March 2016. **[7 Marks]**
- b) Describe the three major activities of cash flow statement reports **[6 Marks]**

### QUESTION THREE

- a) State the major features of construction contracts **[6 Marks]**
- b) Njenga Contractors Limited was awarded contract Z on January 2016. The contract price was fixed at KSh 120 million and the estimated total cost of the contract was 105 million. The following information leads to the contract for the three years from 1<sup>st</sup> January 2016-31<sup>st</sup> Dec 2018 when the contract was completed.

	2016	2017	2018
	Sh 000	Sh 000	Sh 000
Cost incurred	20,000	42,000	32,000
Estimated further cost	70,000	36,000	—
Billings to clients	30,000	50,000	40,000
Collection from clients	12,000	38,000	60,000
Administration expense	2,000	2,500	1,000

#### Required

For each of the following years ended 31<sup>st</sup> Dec 2016, 2017, 2018, prepare extract of financial statements using the percentage of completion approach in line with (IAS 11) long-term construction contracts. **[14 Marks]**

### QUESTION FOUR

- a) Discuss any 5 elements that constitute a contract of sales **[10 Marks]**
- b) Define what is a hire purchase and explain 4 features of the hire **[10 Marks]**

### QUESTION FIVE

- a) Discuss at least seven main differences between joint venture and consignment **[14 Marks]**
- b) State six benefits of preparing branch account **[6 Marks]**