

The  
Management  
University  
of Africa



Sponsored by the Kenya Institute of Management

**UNDERGRADUATE UNIVERSITY EXAMINATIONS**  
**SCHOOL OF MANAGEMENT AND LEADERSHIP**  
**DEGREE OF BACHELOR OF COMMERCE**

**ACC 321: SPECIALIZED FINANCIAL ACCOUNTING**

**DATE: 13<sup>TH</sup> APRIL 2026**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

**QUESTION ONE**

Furaha Company whose head office is in Nairobi sends stock to its branches at a uniform mark-up of 25%. The following details relate to transactions carried out at the Nyeri branch during the year ended 31<sup>st</sup> December 2023:

|  | Sh        |
|--|-----------|
| Stock on 1 <sup>st</sup> January 2023 (at cost)    | 360,000   |
| Goods sent to the branch during the year (at cost) | 1,800,000 |
| Sales  | 2,228,400 |
| Stock on 31 <sup>st</sup> December 2023 (at cost)  | 450,000   |
| Expenses   | 300,000   |

All the sales were made on cash. For control purposes, the head office maintains accounting records of all branches.

**Required:**

- a) As the Head Office accountant, prepare the Nyeri branch Trading and Profit and Loss Account for the year ended 31<sup>st</sup> December 2023 in an appropriate manner that shows the amount of Deficiency and Net Profit/Loss of the Nyeri branch.

**(7 Marks)**

- b) Examine five benefits of investment accounting. **(10 Marks)**
- c) Analyse four features of hire purchase agreements. **(8 Marks)**

**QUESTION TWO**

Mpanzi, Palilia & Mvunaji are University students who entered into a joint venture for dealing in wheat. They agreed to share profits from the venture in the ratio of 7:3:2 respectively. The transactions carried out on the venture were as follows:

2025

- Jan 8 Mpanzi leased land at a cost of Sh 31,200  
 “ 10 Palilia bought seeds costing Sh 9,600

|     |    |  |
|-----|----|--|
| “   | 17 | Mpanzi paid labour for planting Sh 21,000  |
| “   | 19 | Palilia charged Transportation Sh 3,400  |
| “   | 30 | Mpanzi paid labour for applying fertilizer Sh 7,200  |
| Feb | 28 | Mpanzi paid the following expenses: Weeding Sh 2,000;<br>Sundry expenses Sh 3,600; Fertilizer Sh 5,800 |
| Mar | 17 | Mvunaji employed labour for harvesting Sh 14,600   |
| “   | 30 | Selling expenses paid by Mvunaji Sh 7,800  |
| “   | 31 | Mvunaji received cash being sales proceeds gross Sh 197,400  |

Any outstanding balances between the parties were settled by cash on 30<sup>th</sup> April 2025.

**Required:**

- a) Show the complete Joint Venture Accounts in the books of each of the parties. **(9**

**Marks)**

- b) Prepare the Memorandum joint venture account. **(6**

**Marks)****QUESTION THREE**

On 19<sup>th</sup> January 2024 Maarufu, a wholesaler in Malindi, Kenya, sent a consignment of 50 bags of goods to Higiuro, his agent in Kigali, Rwanda. On 26<sup>th</sup> January 2024 Maarufu received Higiuro's acceptance of a six months bill of exchange for Ksh 300,000 drawn by Maarufu and immediately discounted it for Ksh 292,500. The goods had cost Maarufu Ksh 6,000 per bag and carriage, freight and insurance paid by him on 31<sup>st</sup> March 2024 amounted to Ksh 7,500. While on transit to Kigali, two bags on the consignment were completely damaged and on 30<sup>th</sup> April 2024 Maarufu received the appropriate compensation from the insurance company.

Maarufu's accounting year ended on 30<sup>th</sup> June 2024 and Higiuro sent him an Interim Account Sales prepared up to that date, all amounts having been converted from Rwandese Francs (RWF) to Kenya Shillings (Ksh). It disclosed that 28 bags had been sold for Ksh 9,000 each and clearance charges and import duty totaling Ksh 28,800, and distribution expenses of Ksh 3,000 had been paid. Commission at 5% of sales plus 2½% del credere was charged.

On 15<sup>th</sup> August 2024, Maarufu received the Final Account Sales showing that the remainder of the consignment had been sold for Ksh 9,300 per bag, distribution charges Ksh 4,800 had been paid, and commission had been deducted appropriately. A bill of exchange was enclosed for the balance due to Maarufu.

**Required:**

- a) Show the appropriate entries required in the books of the consignor.

**(10 Marks)**

- b) Prepare the Interim Account Sales and the extract of Final Account Sales.

**(5 Marks)**

**QUESTION FOUR**

- a) Discuss six advantages of joint venture arrangements. **(9 Marks)**
- b) Differentiate three types of royalties. **(6 Marks)**

**QUESTION FIVE**

Mulili, the lessee of a quarry, entered into a contract with the landlord of the quarry, to pay royalties of Sh 100 for each ton of ballast extracted. Further, the contractual agreement stipulated that the minimum rent (royalty) was to be Sh 400,000 per annum. Any payments for short workings were agreed to be recoupable only in the two years following that in which they occurred. The contractual period was on the basis of calendar years. All royalties' payments were made by cheque at the end of each year.

The following table shows details of the tons of ballast extracted in seven years:

| Year           | 1     | 2     | 3     | 4     | 5     | 6     | 7     |
|----------------|-------|-------|-------|-------|-------|-------|-------|
| Tons extracted | 4,200 | 3,100 | 5,600 | 2,800 | 4,400 | 4,500 | 7,800 |

**Required:**

Make the necessary entries appropriately in the books of the lessee in the following accounts:

- |             |                                    |                  |
|-------------|------------------------------------|------------------|
| <b>i)</b>   | Royalties A/C                      | <b>(4 Marks)</b> |
| <b>ii)</b>  | Short workings A/C                 | <b>(4 Marks)</b> |
| <b>iii)</b> | Landlord A/C                       | <b>(4 Marks)</b> |
| <b>iv)</b>  | Operating Account (extracts)       | <b>(2 Marks)</b> |
| <b>v)</b>   | Profit and Loss Account (extracts) | <b>(1 Mark)</b>  |

### QUESTION SIX

Amani Company bought machinery for Sh 723,600 hire purchase price from Tesco Machineries Ltd on 1<sup>st</sup> January 2022, being paid for by cheque in three equal instalments on 31<sup>st</sup> December 2022, 2023 and 2024. The quoted cash price was Sh 600,000. The hire purchase interest rate was 10% charged per annum on reducing balance basis. It is the policy of Amani Company to provide for depreciation of machinery at the rate of 20% per annum on straight line basis.

#### Required:

Prepare the following accounts and financial statements in the books of Amani Company for the years 2022, 2023 and 2024:

- |             |  |                  |
|-------------|--|------------------|
| <b>i)</b>   | Machinery A/C  | <b>(3 Marks)</b> |
| <b>ii)</b>  | Tesco Machineries Ltd A/C                              | <b>(3 Marks)</b> |
| <b>iii)</b> | Hire Purchase Interest A/C                             | <b>(3 Marks)</b> |
| <b>iv)</b>  | Provision for Depreciation on Machinery A/C (extracts) | <b>(3 Marks)</b> |
| <b>v)</b>   | Balance sheet (extracts)                               | <b>(3 Marks)</b> |

