



UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

ACC 314 : ADVANCED FINANCIAL ACCOUNTING

DATE: 29TH JULY 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

Amis, Lodge and Pym were in partnership sharing profits and losses in the ratio 5:3:2.

The following balance sheet has been extracted from their books of account as at 31st March 2018:

Amis, Lodge and Pym Balance Sheet as at 1st April 2018			
	COST	DEP	NBV
	£	£	£
NON-CURRENT ASSETS			
	100,0	-56,6	43,40
Property and plant	00	00	0
	80,00	-35,0	45,00
Motor vehicles	0	00	0
	<u>180,0</u>	<u>-91,6</u>	88,40
	<u>00</u>	<u>00</u>	0
CURRENT ASSETS			
Inventory		5,000	
	14,30		
Receivables	0		
		13,58	
Less provision for bad debts	-715	5	
Prepayments		1,500	
Cash at bank		<u>4,900</u>	
		24,98	
		5	
CURRENT LIABILITIES			
	16,50		
Payables	0		
		-16,9	
Accruals	<u>405</u>	<u>05</u>	<u>8,080</u>
			<u>96,48</u>
Net Assets			<u>0</u>
		80,00	
Capital accounts: Amis		0	
		15,00	
Lodge		0	
			100,0
Pym		<u>5,000</u>	<u>00</u>
Current accounts: Amis		1,000	
		-9,90	
Lodge		0	
Pym		<u>5,380</u>	<u>-3,520</u>
			<u>96,48</u>

Additional information:

- 1) On 1 April 2018 Fowles Limited agreed to purchase the business on the following terms:
- i. Amis to purchase one of the partnership's motor vehicles at an agreed value of £30,000;
 - ii. The company agreed to purchase the plant and machinery at a value of £ 35,000 and the stock at a value of £ 38,500;
 - iii. The partners to settle the trade payables; the total amount agreed with the creditors being £16,000;
 - iv. The trade receivables were not to be taken over by the company, the partners receiving cheques on 1 April 2018 amounting to £12,985 in total from the trade debtors in settlement of the outstanding debts;
 - v. The partners paid the outstanding office expenses on 1 April 2018, and the landlord returned the rent paid in advance by cheque on the same day;
 - vi. As consideration for the sale of the partnership, the partners were to be paid £63,500 in cash by Fowles Limited, and to receive 75,000 in £1 ordinary shares in the company, the shares to be apportioned equally amongst the partners;
- 2) Assume that all the matters relating to the dissolution of the partnership and its sale to the company took place on 1 April 2018.

Prepare:

- a) The partnership realization account for the period up to and including 1 April 2018. **(12 Marks)**
- b) The partner's Capital accounts for the period up to and including 1 April 2018. **(8 Marks)**
- c) The partner's bank account for the period up to and including 1 April 2018.

**(5
Marks)**

QUESTION TWO

- a) Analyze five characteristics that enhance the usefulness of accounting information to its users. **(10 marks)**
- b) Professional accounting practice is often subject to regulation by national and international bodies. Evaluate two reasons why some stakeholders may resist worldwide regulation of the accounting profession. **(5 marks)**

QUESTION THREE

You are provided with the following trial balance for Sigmawn Ltd as at 31st December 2023.

Sigmawn Ltd Trial balance as at 31st December 2023		
	Debit Ushs	Credit Ushs
10% debentures		500,000
Bank	49,740	
Creditors		164,650
Debenture interest	50,000	
Debtors	198,300	
Directors' costs	120,000	
Dividends	145,000	
Freehold land	2,700,000	
Furniture	840,000	
General reserves		700,000
Ordinary share capital		1,500,000
Provision for depreciation of Furniture	-	232,000
Purchases	1,163,330	
Retained profits		348,34

		0	
Salaries	323,160		
Sales		2,201,100	
Share premium account		300,000	
Stock as at 1 January 2023	256,590		
Transport	99,970		
	5,946,090	5,946,090	

Additional information:

- i) Inventory as at 31st December 2023 was valued at Ushs 254,350.
- ii) Depreciation of furniture at 10% using reducing balance.
- iii) A provision for corporation tax to be made at 30% of profit before tax.
- iv) A prepaid transport expense of Ushs 9,970.

Required:

- a) Prepare statement of profit or loss for the period ended 31st December 2023.

(7

Marks)

- b) Prepare statement of financial position as at 31st December 2023.
(8 Marks)

QUESTION FOUR

- a) Differentiate between life assurance and general insurance. (5 marks)
- b) Write brief notes on the following:
 - i) Claims. (2 marks)
 - ii) Premiums. (2 marks)
 - iii) Reinsurance. (2 marks)
 - iv) Advances. (2 marks)

v) Interest on government securities.

(2

marks)**QUESTION FIVE**

Set out below are the draft accounts of Parent Co and its subsidiaries and of Joint Venture Co. on 31st December 2020. Parent Co. acquired 50% of the equity capital of Joint Venture Co three years ago when the latter's retained earnings stood at Sh 40,000.

Income Statements		
	Parent & Subs.	Joint Venture
	Sh '000'	Sh '000'
Sales	295	240
Cost of sales	120	90
Gross profit	175	150
Expenses	80	-70
Profit before tax	95	80
Income tax expense	35	30
Profit after tax	60	50
Dividends paid in the year	50	10
Retained profit for the year	10	40
Retained profit b/f	155	60
Retained profit c/f	165	100

Statement of Financial Position		
	Parent & Subs.	Joint Venture
	Sh '000'	Sh '000'
Non-current assets	220	170
Investment in joint venture	75	
Current assets	100	50
Loan to Joint Venture	20	
	415	220
Share capital (Sh1 shares)	250	100
Retained earnings	165	100
Loan from Parent Co		20
	415	220

Parent Co took a loan for the dividend paid by Joint Venture Co.

Required:

a) Prepare a consolidated income statement of the Parent Co. (8

Marks)

b) Prepare a consolidated statement of financial position of the Parent Co.

(7
Marks)

QUESTION SIX

- a) Giving examples, differentiate between bank interest income and bank interest expenses. (6

Marks)

- b) Assess four justifications for the use of inflation accounting over historical cost accounting.

(9 Marks))