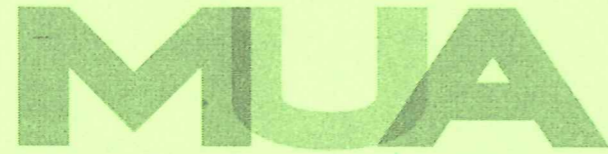


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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF COMMERCE

ACC 314 : ADVANCED FINANCIAL ACCOUNTING

DATE: 29TH JULY 2024

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

You are provided with the following trial balance for XYZ Company Ltd At 31 December 2016.

Trial Balance	£	£
Accounts payable		45,520
Accounts receivable	49,580	
Bank	26,460	
Directors' remuneration	16,000	
General expenses	23,384	
Land	236,000	
Legal expenses	2,576	
Opening Stock	55,720	
Provision for doubtful debts		1,100
Provisions for depreciation of Vehicles		27,000
Purchases	433,760	
Rent and Rates	2,800	
Retained brought forward		9,720
Salaries	52,508	
Sales		571,080
Share Capital		320,000
Vehicle expenses	13,032	
Vehicles	62,600	
	974,420	974,420

Additional Information:

- i. Accrued vehicle expenses were £1,520.
- ii. Prepaid rent and rates amounted to £560.
- iii. Accounts receivable of £4,300 were written off as bad debts.
- iv. The directors have decided to recommend a final dividend of 5%.
- v. Provide for depreciation of vehicles at 20% of cost.
- vi. Stock as at 31 December 2016 was £58,400.
- vii. Assume corporation tax is zero.

Required:

- a) Financial statements of XYZ Company Ltd must be prepared in accordance with the applicable International Accounting Standards (IASs). Discuss three demerits of adhering to these standards. (7 Marks)

b) Prepare a statement of Profit or loss for the year ended 31 December 2016.

(10 Marks)

c) Prepare a statement of financial position as at 31 December 2016.

(8 Marks)

QUESTION TWO

John, Joel and Jean carried out a business and shared profits and losses in the ratio of 2:2:1 as partners. They decided to dissolve their partnership on 31 December 2020, their balance sheet being as follows:

Balance Sheet			
	Cost	Prov. for Dep	NBV
	Ksh	Ksh	Ksh
Non-Current Assets			
Land and buildings	165,000	15,000	150,000
Plant and machinery	84,920	7,720	77,200
Fixtures and fittings	18,700	1,700	17,000
Motor vehicles	8,800	800	8,000
	<u>277,420</u>	<u>25,220</u>	<u>252,200</u>
Current Assets			
Stock		64,000	
Debtors	36,540		
Provision for doubtful debts	<u>5,900</u>	30,640	
Bank		160	
		<u>94,800</u>	
Current Liabilities			
Creditors		57,000	37,800
			<u>290,000</u>
Financed By:			
Capital accounts:			
John		100,000	
Joel		60,000	
Jean		<u>40,000</u>	200,000
Current accounts:			
John		40,000	
Joel		<u>30,000</u>	70,000
Non-Current Liabilities			
Loan - John			20,000
			<u>290,000</u>

Additional Information

i) The partnership assets were sold and monies fully received as follows:

	Ksh
Freehold land and buildings	259,000
Plant and machinery	51,000
Fixtures and fittings	12,000
Motor vehicles	5,000
Stock	56,000
Debtors	72,000

ii) Dissolution expenses paid amounted to Ksh 3,400.

iii) Creditors were paid less discount received of Ksh 1,000.

iv) Loan from partner John was repaid.

Required:

- a) Prepare realization account. (8 Marks)
- b) Prepare partnership current and capital accounts. (2 Marks)
- c) Prepare bank account. (5 Marks)

QUESTION THREE

- a) Giving examples, differentiate between bank interest income and bank interest expenses. (6 Marks)
- b) Discuss the two classifications of accounting principles. (9 Marks)

QUESTION FOUR

- a) Differentiate between life assurance and general insurance. (4 marks)
- b) You are provided with the following trial balance for Usalama Assurance Ltd:

	Shs	Shs
Life Assurance fund		1,470,562
Claims: by death	76,980	
: by maturity	56,420	
Premiums		210,572
Expenses of management	19,890	
Commissions	26,541	
Consideration for annuities granted		10,620
Interest, dividends, and rent		52,461
Income tax on int./div. (paid)	3,060	

Surrenders	21,860	
Annuities	29,420	
Bonus paid in cash	9,450	
Bonus utilized in reduction of premium	2,500	
Preliminary expenses	600	
Claims admitted but unpaid at year end		80,034
Annuities payable		22,380
Paid up share capital		400,000
Government securities	1,490,890	
Sundry assets	509,110	
Fines for revising lapsed policies		92
	2,246,721	2,246,721

Additional Information:

- a) Death claims covered under reinsurance - Sh10,000
- b) Further death claims intimated - Sh8,000
- c) Further bonus utilized in reduction of premium - Sh1,500
- d) Interest accrued - Sh15,400
- e) Premiums outstanding - Sh7,400

Required:

Prepare a revenue account.

(11 Marks)

QUESTION FIVE

- a) Examine three classifications of Joint Ventures. **(7 marks)**
- b) Discuss the following terms as used in group accounts:
 - i) Parent. **(2 marks)**
 - ii) Subsidiary. **(2 marks)**
 - iii) group structure. **(2 marks)**
 - iv) Associate. **(2 marks)**

QUESTION SIX

- a) Discuss two approaches of inflation accounting. **(5 Marks)**
- b) Information in final accounts should be meaningful. Examine five factors that make accounting information meaningful? **(10 marks)**

