



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

P.O. Box 62157
00200 Nairobi - KENYA
Telephone: 891601-6
Fax: 254-20-891084
E-mail: academics@cuea.edu

MAIN EXAMINATION

JANUARY – APRIL 2014 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

REGULAR PROGRAMME

CAC 412: SPECIALIZED ACCOUNTING

Date: APRIL 2014

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

Q1. a) On February 2005 PJ, a London trader, consigned 120 cases of goods to MB, an agent in New Zealand. The cost of the goods was £25 a case. PJ paid carriage to the port £147 and insurance £93. On 31 March 2005 PJ received an account sales from MB showing that 100 cases had been sold for £3500 and MB had paid freight at the rate of £2 a case, and port charges amounting to £ 186. MB was entitled to a commission of 5 percent on sales. A sight draft for the net amount due was enclosed with the account sales.

Required:

- i) Show the accounts of the above transactions in the ledger of PJ and show the transfer to profit and loss account at 31 March 2005. **(10 marks)**
- ii) Differentiate between a consignment and a sale. **(2 marks)**
- b) i) Explain the various forms of investments. **(4 marks)**
- ii) Describe the main features of fixed interest securities. **(4 marks)**

- c) Wells Limited sold £60,000 10% loan stock of Oceans Ltd to Dams Limited on 1st June 2008 at 90 ex int. this stock was purchased by Wells Limited on 31st December 2007 at a cost of £52000. Interest is payable half yearly on 30th June on 31st December.

Required:

Show the entries in the ledger of Wells Limited as it would appear on 31st December 2008. **(10 marks)**

- Q2. Mr. Carter entered into a joint venture with Mr. Thomas for the purchase and sale of bicycles. They agreed that profits and losses should be shared equally. The following transactions took place:

- i) Mr. Carter purchased bicycles for £88900 and paid carriage £273.
- ii) Mr. Thomas purchased bicycles for £7560 and paid carriage £51.
- iii) Mr. Thomas paid to Mr. Carter £40,000.
- iv) Mr. Carter sold bicycles for £73,400 and sent a cheque for £30,000 to Mr. Thomas.
- v) Mr. Thomas sold for £10,230 all the bicycles he had purchased.
- vi) The unsold bicycles in the possession of Mr. Carter were taken over by him at a valuation of £26,000.
- vii) The amount due from one venture to the other was paid and the joint venture was dissolved.

Required:

- a) A statement to show the net profit or loss of the joint venture. **(8 marks)**
 - b) The accounts for the joint venture in the books of Mr. Carter and Mr. Thomas. **(10 marks)**
 - c) Distinguish between a joint venture and a partnership. **(2 marks)**
- Q3. On 30 September 2010, BW, who prepares final accounts annually to 30 September, bought a motor Lorry on hire purchase from the vehicles and Finance Co. Ltd. The cash price of the Lorry was £3081. Under the terms of the hire purchase agreement, BW paid a deposit of £1000 on 30 September 2010 and two instalments of £1,199 on 30 September 2011 and 2012. The hire purchase vendor charged interest at 10% per annum on the balance outstanding on 1 October each year. All payments were made on the due dates.

BW maintained the motor lorry account at cost and accumulated the annual provision for depreciation at 25% on the diminishing balance method, in a separate account.

Required:

- a) Prepare the following accounts as they would appear in the ledger of BW for the period of the contract:
- i) Vehicles and finance Co. Ltd. **(4 marks)**
 - ii) Motor lorry on hire purchase **(4 marks)**
 - iii) Provision for depreciation of motor lorry. **(4 marks)**
 - iv) Hire purchase interest payable. **(4 marks)**
- b) Show how the above matters would appear in the balance sheet of BW right at 30 September 2011. **(4 marks)**

Q4. The G. Company supplies gas in expensive containers which are returnable after use. These containers cost £20 each and are charged out to customers on sale or return within six months at £26 each. Provided they are returned within the six months period they are credited at £23 each.

At the end of the year, the company values all returnable containers in the customer's hands and containers held in stock at £16 each.

You are advised that:

	At the beginning of year	At the end of the year
Containers held by the company	2,760	3,144
Returnable containers held by customers	4,790	2,910

During the year, 3,100 new containers were purchased, 20,620 were invoiced to customers and 17,960 were returned. On inspection 260 required repairs costing £325 and 56 had to be sold as scrap for £60.

From the information given above:

Prepare:

- a) Containers stock account (8 marks)
- b) Containers suspense account (8 marks)
- c) A statement showing the profit and loss on dealing in containers. (4 marks)

END