



OFFICE OF THE DEPUTY PRINCIPAL  
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

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# UNIVERSITY EXAMINATIONS

## 2020 /2021 ACADEMIC YEAR

### FOURTH YEAR FIRST SEMESTER MAIN EXAMINATION

## FOR THE DEGREE OF BACHELOR OF EDUCATION ARTS

**COURSE CODE: EDB 402**

**COURSE TITLE: SPECIAL ACCOUNTS**

**DATE: 11<sup>TH</sup> MARCH, 2021**

**TIME: 9AM – 12.00 NOON**

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### INSTRUCTION TO CANDIDATES

- SEE INSIDE

**THIS PAPER CONSISTS OF 4 PRINTED PAGES**

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**MAIN EXAM****EDB 402: SPECIAL ACCOUNTS****STREAM: BED (Arts)****DURATION: 3 Hours****INSTRUCTIONS TO CANDIDATES**

- i. Answer Question **ONE** and any other **TWO** questions.
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.
- iii. Do not write on the question paper.

**QUESTION ONE**

- (a) Explain the meaning of the following terms as used in joint venture accounting
- (i) Joint controlled entities (2 marks)
  - (ii) Joint controlled operations (2 marks)
- (b) When a separate charge is not made given returnable containers, container stock account is prepared. In view of this, highlight the format and the key elements shown in this account (6 marks)
- (c) On 1<sup>st</sup> January 2017, C limited bought 100, 10% government bonds of Kshs. 1,200.00 each at Kshs. 1,040.00 each. On 1<sup>st</sup> August 2017, C limited sold 60, 12% government bonds at Kshs. 1,150.00 each. The interest is paid on 30<sup>th</sup> June and 31<sup>st</sup> December every year.

Required; Prepare the 12% government bond account in the books of C Limited assuming that the market price of the bond is Kshs. 1,180.00 (8 marks)

- (d) A trading firm has a retail branch, which is supplied with goods from the Head Office and which keeps its sales ledger and remits all cash received daily to the Head Office, the branch expenses being paid by the Head Office by weekly cheques. From the following particulars draw up the Branch Account as they would appear in the Head Office books for the six months ended on 31st December (12 marks)

	Amount (\$)
6 Months credit sales	2485
Cash sales	1460

Return inwards	30
Cash received in ledger accounts	2387
Debtors on 1 <sup>st</sup> July	1345
Stock on 1 <sup>st</sup> July	840
Stock on 31 <sup>st</sup> December	1280
Goods received from head office	2276
Bad debts at the branch	65
Wages and other expenses	415
Rent, rates and taxes	402

**QUESTION TWO**

- (a) The drawer however is under no obligation to retain the bills of exchange, they have a number of options. Discuss. (6 marks)
- (b) Explain the types of bills of exchange a vital negotiable instrument (14 Marks)

**QUESTION THREE**

- (a) Tusky's Limited are dealers of hire purchase sales in Eldoret town. The managers have sought your advice on the key hire purchase documentations required to be kept. Proceed by enumerating any FOUR. (4 marks)
- (b) New arrival Sofa set of cash price \$3,000 is to be paid by a deposit of \$600 and 5 monthly installments starting July 2018. The interest is \$ 400. Using the sum of the year digit method, apportion the hire purchase interest (16 marks)

**QUESTION FOUR**

- (a) Consignment differs from sale. Discuss. (8 marks)
- (b) Seal Honey Limited sent 100 cartons of box files to her branch in Kisumu town on consignment basis. The consignee is entitled to receive 5% commission plus expenses. The cost of each cartoon set by the consignor is \$ 200. The consignee paid the following expenses;
- |                            |        |
|----------------------------|--------|
| Railway freight            | \$500  |
| Go down rent and insurance | \$1000 |

Seal Honey draw on consignee a bill of \$10,000 which is duly accepted. Subsequently, it is discounted for \$9,500. The consignee informed the consignor of the sale of the entire consignment for \$28,500

Required; Prepared

- (i) Consignment account (6 marks)  
 (ii) Consignee account (6 marks)

### QUESTION FIVE

- (a) In Kenya, there are various forms of royalties. Discuss (6 marks)  
 (b) From the following information, prepare the royalty table relating to mining activity in Mombasa. Any payment for short working are recoupable only in the two years following that which they occurred (44.4% and then 55.6% in the succeeding year) (8 marks)

Minimum rent \$400 p.a for 5 years  
 Royalty \$1 per each tone of ore extracted  
 Tonnes mined;

Year	Tonne
1	310
2	560
3	280
4	400
5	400

- (c) Discuss the various challenges faced by investors in Kenya regarding the royalties concept (6 marks)

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