



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

SECOND YEAR SECOND TERM EXAMINATION FOR

DIPLOMA IN ACCOUNTACY

ADVANCED FINANCIAL ACCOUNTING

DATE:

TIME:

INSTRUCTIONS:

ANSWER ALL QUESTIONS

QUESTION ONE

- a) Explain the term departmental accounts (8 marks)
- b) Why are departmental accounts necessary? (12 marks)

QUESTION TWO

Northern Stores has Three Departments:	A	B	C
	Ksh.	Ksh.	Ksh.
Opening stocks	20000	15000	30000
Purchases	110000	30000	150000
Closing stocks	30000	25000	40000
Sales	180000	90000	270000
Wages	280000	50000	60000

The following expenses cannot be traced to any particular department: Ksh.

Rent	8200
Administration expenses	48000
Air conditioning and lighting	6000
General expenses	2400

It is decided to apportion the cost of rent together with air conditioning and lighting in accordance with the floor space occupied by each department. These were taken up in the ratios of A: 1/5, B:1/2 and C:3/10. Administration expenses and general expenses are to be split in the ratio of sales. Prepare Trading Account and Profit and Loss for Northern Stores (20 marks)

QUESTION THREE

Discuss how interdepartmental transfers of goods are treated in departmental accounts (20 marks)

QUESTION FOUR

The following figures relate to the business of Pasha Associations for the year ended December 31, 2020:

	X	Y
	Ksh.	Ksh.
Opening Stocks	80000	-
Purchases from outside	400000	40000
Wages	20000	2000
Transfer of goods from Dept. X	-	100000
Closing stocks	60000	100000
Sales	400000	142000

Y's entire stock represents goods from Department X which transfers them at 25% above the cost, Administrative and Selling Expenses amount to Ksh. 30000 which are to be allocated between Department X and Y in the ratio of 4:1 respectively.

Prepare Departmental Trading and Profit and Loss Account for the year ended December 31, 2020 (20 marks)

QUESTION FIVE

- a) What is unrealised profit? (4 marks)
- b) How is unrealised profit worked out and accounted for? (16 marks)