

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

MAIN EXAMINATION

BACHELOR OF BUSINESS ADMINISTRATION (WITH IT)

COURSE CODE: ABA 210 INTERMEDIATE ACCOUNTING II

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO

QUESTION ONE.

The final accounts of Kltd for the year to 31-12 are shown. The work on contract started on 1st April 2012 and completed on 31-10-2013. The total contract price was kshs. 8,700,000. A penalty of shs35000 was paid for failure to complete the work on 30-9-2013. Summary of cashflow relating to the contract

	31.12.2012	31.12.2013
Receipts		
Work certified less penalty	2610000	6355000
Sale of plant – 31-10-2013		205000
Payments		
Materials	1274500	1661300
Wages	1419200	2271600
Direct expenses	106300	145100
Plant purchased 1-4-2012	812500	-

There was 10% retention on work certified. Penalty was recovered from 2013 payment only. The plant was estimated to have residual value of kshs 2500 initially . depreciation was calculated on straight line over the estimated life of the project . work in progress as at 31.12.2012 was shs. 645000.

As at 31-12-2012 it was believed that the contract would be completed on 31.9.2013 and additional payment to completion . Would be shs. 4,070,000.

Required.

- Contract account as at 31.12.2012.
- Contractors Balance sheet extract relating to the contract-31.12.2012

c) Contract account 31.12.2013.

(30 marks)

QUESTION TWO

The remunerations of employees of organization 2Q Ltd are shown below for month of June 2014

Name/Remuneration Kshs. Per month.

Name	Basic salary p.m	House allowance	Responsibility	Watch man	Transport	Pension % of basic	Co-operation deduction
A	200,000	Housed	20,000	One	Car cost 3M . cc2000	15%	10,000
B	100,000	20% of basic	10,000	-	5000/-	15%	15,000
C	45,000	20% of basic	-	-	2000/-	15%	6000

The employer deducts and remits paye, NSSF and NHIF besides whetery deductions process the payroll for month of June 2014

NHIF

Rate is kshs. 320 p.m for monthly basic salary of over kshs. 15,000 p.m . take NSSF rate to be shs. 200/- . tax rate shs. 1-10164 is 10%. There after shs. 9576 bracket, for 15% , 20%, 25% and excess 30% . tax relief 1162 per month.

Q3 The cash book of Busia Trading Company Ltd for year 31.12.2013 and other details are stated bellow. Prepare fundflow statement using the Direct method.

Bank Account.

Details	Dr	Cr
Opening balance	500,000	
Sales	9,250,000	
Issue of shares	1,000,000	
Sale of building	970,000	
Wages		3,050,000
Suppliers		4,920,000

PAYE paid –on dividends to share holders		860,000	
Tax paid – on profit		300,000	
Leased equipment for use		700,000	
Dividends paid		2,150,000	
Balance c/d	200,000		
		11,920,000	11,920,000

Other information . profit for the year 2,100,000 current year depreciation was shs. 715,000 Balance of Debtros shs. 300,000, creditors 500,000 in 2012 and shs. 450,000 and shs. 475,000 in 2013 respectively.\

b. Explain the role of fundflow statement in the final accounts of an organization.

Q4. The current cost accounting and current purchasing power are hyperinflation accounting methods discuss the differences between the methods.

(20 marks)

Q5. Applications were invited for 150,000 ordinary shares of UWEZO LTD where nominal value was Kshs. 10. Each share was issued at Kshs. 11.50 payable as follows.

- 1-4-2014 application shs. 7.50
- 30-4-2-014 allotment(including premium shs. 1.50) Kshs. 2.00
- 31-5-20`4 first and final call Kshs. 2.00

Applications were received for 180,000 shares which were transacted as follows.

- i. Rejected application for 8000 shares,
- ii. Gave full allotment to 22,000 shares
- iii. Allotted the balance of shares pro-rate among applicants.
- iv. Used surplus on application in part payment of allotments.
- v. An applicant who was allotted 400 shares failed to pay amount due on first and final call, the shares were forfeited and re issued at Kshs. 9.00 each.

Required. Show all the transactions in ledger accounts.

(20 marks)