

**W1-2-60-1-6**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2013/2014**

**YEAR 2 SEMESTER I EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE**

**HCB 2201: INTERMEDIATE ACCOUNTING I**

**DATE: December 2013 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (COMPULSORY)**

1. Explain the following terms as used in accounting:
2. Assets
3. Liabilities
4. Income statement
5. Statement of financial position
6. Equity (10marks)
7. Describe the qualitative characteristics of a financial information (8marks)
8. The following information relates to item Mx 120 stocked by product ltd for the month of October 2013

Date Receipts Issues Unit costs

Units Units Shs.

October 3 2400 18

October 4 3200

October 6 2600 20

October 12 2700

October 14 3000 22

October 18 2800 21

October 20 2200

October 22 2600 23

October 25 3800

October 26 3100 24

October 27 2500 25

October 28 3200 26

October 29 6900

The closing balance for September 2013 was 3000 units valued at sh 19.

Required:

Store ledger card for Mx120 using LIFO for October 2013 (12marks)

**QUESTION TWO (20 marks)**

1. Define depreciation (2marks)
2. Outline four causes of depreciation (4marks)
3. Jamii Bora ltd maintains its property plant equipment at cost. The company also maintains a provision for depreciation account for each asset.

As at 31st December 2011 the asset balances were as follows

Asset cost accumulated depreciation

Sh.’000’ shs.’000’

Machinery 210,360 102,680

Office furniture 14,300 7,450

Additional information:

1. Transactions for the year ended 31st December 2012 were as follows:

Acquations

Assets cost shs. ‘000’

Machinery 9920

Office furniture 1600

Disposals

Machinery costing sh.11,200,000 bought in year 2009 was sold for sh.3,200,000

Furniture costing sh 1,200,000 bought in year 2010 was sold for sh. 700,000

1. Depreciation is provided in a straight line basis as follows

Asset rate per annum

Machinery 20%

Office furniture 10%

1. The company’s policy is to provide a full year depreciation in the year of acquition and not in the year of disposal

Required:

1. Machinery account (2marks)
2. Provision for depreciation in machinery (3marks)
3. Furniture account (2marks)
4. Provision for depreciation of furniture account (3marks)
5. Machinery and furniture disposal a/c (4marks)

**QUESTION THREE (20 marks)**

1. Differentiate between provisions and reserves (4marks)
2. At the beginning of the year 1 January 2012 the balance brought forward from the previous year for provision for doubtful debts in the book of E Akili was sh.14000. Following information was provided in regard to the year ended 31St December 2012

Bad debts written off sh 5,600

Debtors before bad debts written off sh 365600

Provision on debtors for doubtful debts is 5%

Required:

1. Bad debts written off account (2marks)
2. Provision for bad and doubtful debt (2marks)
3. Extract of income statement (2marks)
4. Extract of statement of financial position (2marks)
5. Discuss the fundamental accounting concepts (8marks)

**QUESTION FOUR (20 marks)**

The following trial balance was extracted from the books of Pata ltd as at 31st December 2012

Dr Cr

‘000’ ‘000’

Ordinary share capital of sh 10 each 150,000

8% preference share of sh10 each 50,000

7% Debenture 100,000

Share premium 20,000

General reserve 65,000

Retained earnings (1 January 2012) 35,000

Land at cost 111,000

Plant and machinery at cost 382,000

Provision for depreciation machinery 85,500

Sales 290,000

Discounts 3,200 4,600

Accounts receivables/payable 48,000 27,000

Inventory (1 January 2012) 7,500

Cash at bank 35,000

Carriage inwards 1,100

Purchases 165,000

Salaries and wages 32,100

Electricity 2,900

Debenture interest 7,000

Directors fee 12,800

Provision for doubtful debt 1,500

General reserve 11,900

Interim dividend: ordinary 7,500

Preference 2,000

Suspense \_\_\_\_\_\_\_\_ 400

829,000 829000

Additional information:

1. During the year land was revalued to sh180 million. The revaluation reserve was used from revaluation of land was partly utilized for finance of issue of share (Bonus); 1 for every 10 ordinary shares held
2. Inventory as at 31st December 2012 was valued at sh41million
3. Corporation tax estimated at sh3million while unpaid wages as at 31st December 2012 was sh150,000
4. Provision for bad and doubtful debts estimated at 2.5% of accounts receivable
5. The company depreciates plant and machinery on straight line at a rate of 10% per annum
6. Sh50 million was transferred to general reserve

Required:

1. Comprehensive statement of financial performance for the year ended 31st December 2012 (12marks)
2. Statement of financial position as at 31st December 2012 (8marks)