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**University Examinations 2015/2016**

SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF COMMERCE

**BFC 3225: INTERMEDIATE ACCOUNTING I**

**DATE: AUGUST 2016 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two***questions.

**QUESTION ONE (30 MARKS)**

1. Discuss any five methods of valuing stock. (5 marks)
2. Briefly discuss the conceptual framework of Accounting. (5 marks)
3. Describe any three primary qualities of useful accounting information (6 marks)
4. The following information was recorded from Mabe Stores concerning Tiles.
* 3rd July Opening stock was 5000tiles valued at Sh825,000.
* 10th July Orders placed with the company increased so extra tiles had to be

obtained from Mombasa. Therefore 22,000 tiles were purchased at a cost

of Sh.140 each, but in addition, there was a freight and insurance charge of

Sh.5 per tile.

* 31st July During the month 20,000 tiles were sold at a price of Sh.220 each.
* 4th August A new batch of 14,000 tiles was purchased at a cost of Sh.175 per tile.
* 30th August The sales for the month of August were 14,000 tiles at Sh 230 each.
* 1st September A further 24,000 tiles were purchased at a cost of Sh.195 each.
* 30th September 27,000 tiles were sold at price of Sh240 each. The accountant of this organization decided he would apply first-in-first-out basis and weighed average methods of material pricing for purpose of comparison.

**Required:**

1. A store ledger account using the two methods ad showing stock values at 30 September 2013. (8 marks)
2. The trading accounts using each of the above methods. (6 marks)

**QUESTION TWO (20 MARKS)**

1. A company depreciates its plant at the rate of 15% per annum, reducing balance for each month of ownership. From the following details draw up the plant account and the provision for depreciation account for each of the years 2012, 2013, 2014 and 2015.

2012: Bought plant costing Ksh 90,000,000 on 1st January

 Bought plant costing Ksh.60,000,000 on 1st October.

2014: Bought plant costing Ksh. 55,000,000 on 1st July

2015: Sold plant which had been bought for Ksh.90,000,000 on 1st January 2012 for the sum of Ksh.27,500,000 on 30th September 2015.

**Required:**

1. Draw up the plant disposal account and the extracts from the statements of financial statements as at the end of each year. (12 marks)
2. Describe four types of investments (8 marks)

**QUESTION THREE (20 MARKS)**

The SAF.COM Ltd acquired all of the outstanding common shares of soft net Ltd in exchange for Sh.100million in cash. SAF.COM Ltd assumed all of soft net Ltd long-term liability which had a fair value of Sh.70 million at date of acquisition. The fair values of all identifiable assets of soft net are as follows in millions.

|  |  |
| --- | --- |
|  | Sh.  |
| Debtors | 35 |
| Inventory | 45 |
| Property, plant and equipment  | 55 |
| Patent  | 30 |
| Total  |  |

Required:

1. Determine the amount of goodwill on acquisition (6 marks)
2. Show accounting journal entries for transaction (6 marks)
3. Distinguish the following terms.
4. Copy right and patent (4 marks)
5. Trade mark and trade name. (4 marks)

**QUESTION FOUR (20 MARKS)**

1. Explain the following terms and give examples
2. Current Assets (4 marks)
3. Going concern concept (4 marks)
4. Investment property (4 marks)
5. Intangible Assets (4 marks)
6. Impairment loss (4 marks)

**QUESTION FIVE (20 MARKS)**

1. The Mambo Ltd purchased 6 acre piece of land with an existing building for Sh.20,000,000. The company plans to improve the old building and put a new building on the site. In addition to the purchase price, the company made the following expenditure at the closing of the purchase.

|  |  |
| --- | --- |
|  | Sh. |
| Stamp duty | 180,000 |
| Commissions  | 480,000 |
| Legal fee | 90,000 |

 Shortly after acquisition, the company paid a contractor Sh.400,000 to rehabilitate the old building. And additional Sh.150,000 was paid for legal fees. The Sh.180,000 in stamp duty included Sh.100,000 of taxes paid by Mambo Ltd on behalf of the seller and Sh.60,000 attributable to the portion of the current fiscal year after the purchase date.

**Required:**

1. What should be the capitalized cost of land? (5 marks)
2. Discuss with examples, the meaning of data capture process as one way of cash control mechanism. (5 marks)
3. A Manufacturing company maintains its account with Meru National Bank (MNB). MNB provides a bank statement once a month.

The bank statement for May 2015 is summarized as follows:

|  |  |
| --- | --- |
| Particulars  | Sh. |
| Balance May 1st 2015 | 192,720 |
| Deposits | 492,840 |
| Withdrawals  |  |
| Service charges |  |
| NSSF cheque  |  |
| Notes payment collected by the bank includes Sh.720 interest) | 6,720 |
| Balance May 31 2015 | 208,080 |

The company cash book balance was Sh.211,656 at the end of the month. A review of the company records and the bank statement reveals the following

1. Cash receipts not yet deposited Sh.17,790,000
2. A deposit of Sh.6,120,000 not credited to the company’s accounts until June.
3. All cheques written in April have been processed by the bank cheques written in May that have not been processed by the bank total Sh.33,216,000.
4. A cheque written for Sh.10,740,000 was recorded by the company as Sh.4,740,000. It was meant to pay suppliers.

**Required:**

1. Adjust the cash book balance and do the bank reconciliation (6 marks)
2. Discuss, with examples, the meaning of capitalization of costs. (4 marks)