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**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**SCHOOL OF BUSINESS & ECONOMICS**

**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION WITH IT**

**2ND YEAR 2ND SEMESTER 2015/2016 ACADEMIC YEAR**

**KISII CAMPUS-PART TIME**

**COURSE CODE: ABA 210**

**COURSE TITLE: INTERMEDIATE ACCOUNTING II**

**EXAM VENUE: STREAM: (BBA )**

**DATE: EXAM SESSION: APRIL 2016**

**TIME: 2 HOURS**

**Instructions:**

1. **Answer Question ONE (COMPULSORY) and ANY other 2 questions**
2. **Candidates are advised not to write on the question paper.**
3. **Candidates must hand in their answer booklets to the invigilator while in the examination room.**

**QUESTION ONE (30 Marks)**

1. A company offers 10,000 ordinary shares of kshs 10 each to the public for subscription at kshs 12 per share. The money is payable as follows:

Kshs 3.0 on application

Kshs 4.0 on allotment including kshs 1.0 as premium

Kshs 5.0 on call including kshs 1.0 as premium

Applications are received for 15,000 ordinary shares. No allotment is made to applicants for 3,000 shares and their application money is refunded. The rest are allotted shares on pro rata basis. All allotees pay the money due on shares as and when called up.

You are required to pass the necessary journal entries. (12 marks)

1. Explain the meaning of the following terms:
2. Oversubscription of share capital                                                        (3marks)
3. Allotment of shares                                                    (3marks)
4. Called up share capital                                                      (3marks)
5. Subscribed share capital                                                      (3marks)
6. Authorized share capital                                                    (3marks)
7. Explain the importance of preparing share suspense account                       (3marks)

**QUESTION TWO (20 Marks)**

1. Explain the meaning of the following terms
2. Cumulative preference shares (3marks)
3. Participating preference shares (3marks)
4. Redeemable preference shares (3marks)
5. BM limited forfeited 100 shares of kshs 10 each, kshs 8.0 per share being called up which were issued at a discount of kshs 1.0 per share for non-payment of first call of kshs 3.0 per share. Of these forfeited shares 80 shares were reissued subsequently by the company at kshs 5.0, as kshs 8.0 paid up per share. You are required to prepare the journal entries for the forfeiture and reissue of shares for the company. (11marks)

**QUESTION THREE (20 Marks)**

i) Discuss briefly the following terms as used in lease finance:

1. Lease term                                   (5marks)
2. Minimum lease payments (5marks)
3. Non cancellable lease (5marks)

ii)Discuss the purposes to which the premium amount received on issue of shares can be used by the company. (5marks)

**QUESTION FOUR (20 Marks)**

a) Explain the following terms:

1. Tax expense (3marks)
2. Deferred tax liability (3marks)
3. Deductible temporary differences (3marks**)**

**b)** XY limited offered 5000 ordinary shares of kshs 10 each at a discount of 10% to the public for subscription. Money was payable as follows: kshs 4.0 on application, kshs 3.0 on allotment, balance as and when called up. Applications were received for 4,000 shares. The final call had not yet been made. All applicants paid application and allotment moneys. During the year the company made a net profit of kshs 15,000. It decided to write off the discount of kshs 2000 out of the profit for the year. You are required to prepare the necessary ledger accounts. (11 marks)

**QUESTION FIVE (20 Marks)**

1. Explain the meaning of the following terms:
2. Gross investment in Lease (2marks**)**
3. Estimated Economic life of Leased Property (2marks**)**
4. Unguaranteed Residual Value (2marks**)**
5. Discuss the circumstances that warrant the need for valuation of shares of a business firm (5 Marks)
6. Discuss the criticisms to the use of Current Purchasing Power Method (6marks)
7. Explain the concept Revaluation Adjustment as used in the Current Cost Accounting Method for price level changes (3marks**)**