

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

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

# **UNIVERSITY EXAMINATIONS 2014/2015**

SECOND YEAR FIRST SEMESTER EXAMINATIONS FOR THE DEGREE OF BACHELOR OF COMMERCE

**HBC 2201 : INTERMEDIATE ACCOUNTING I**

**DATE: APRIL 2015 TIME: 2 HOURS**

**INSTRUCTIONS:**

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

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**QUESTION ONE**

1. The following relat4es to inventories into and out of Tambo traders for manufacturing purpose

Jan 1 Received 1000 units at shs. 1.00 per unit

Jan 10 received 260 units @ shs. 1.05

Jan 20 Issued 700 units

Feb 4 received 400 units @ shs 1.15

21 Received 300 units @ shs. 1.25

March 16 issued 620 units

April 4 Issued 240 units

May 10 received 500 units @ shs. 1.10

May 25 Issued 380 unts

Required:

By use of an inventory issue and receipt schedule, show clearly the composition of closing stock using:

1. FIFO [9 marks]
2. Weighted average method [10 marks]
3. Explain briefly the objectives of financial reporting [4 marks]
4. Explain the steps of the accounting cycle [7 marks]

**QUESTION TWO [20 MARKS]**

Management of cash has been a major problem in many organizations and cases

of misappropriation of funds has become common place in many institutions.

Discuss the procedures to be employed in accounting for cash receipts and

payments in order to reduce fraud in organizations. [20 marks]

**QUESTION THREE**

1. Panlpina Ltd acquired all the assets of Sarova ltd at shs. 2 000 00. Sarova Ltd has the following identifiable assets and liabilities

Shs.

Freehold properties 1 200 000

Accounts receivables 200 00

Accounts payable 150 000

Further analysis revealed the surrounding about Sarova Ltd acquired by panalpina ltd. stock was sound to have a market value of shs. 62 000, a patent that was valued at shs. 70 000 was not recorded in the books and freehold property was under valued by shs. 200 000

Required:

Compute the goodwill associated with the above acquisition and Sarova Ltd by Panalpina Ltd. [12 marks]

1. Give examples of intangible assets and briefly explain the treatment of goodwill in the books of accounts. [8 marks]

**QUESTION FOUR**

1. Discuss the condition that must be met before revenue realization leading to revenue recognition [6 marks]
2. Discuss in detail the methods used in revenue recognition from service transaction [8 marks]
3. Explain the principle that provide guidance in recognition of expenses [6 marks]

**QUESTION FIVE**

Discuss the general accepted accounting principles (GAAPS) clearly showing

their contribution in the preparation of financial statements to be used by a wide

range of users. [20 marks]