



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2016/2017**

**SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE  
DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION  
WITH INFORMATION TECHNOLOGY**

**CITY CAMPUS – DAY & EVENING**

**ABA 203: INTERMEDIATE ACCOUNTING I**

Date: 20<sup>th</sup> June, 2017

Time: 5.30 - 8.30pm

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**INSTRUCTIONS:**

- Answer Question ONE and any other THREE Questions.



**Question One (Compulsory)**

Kericho Tuktuk purchased Machinery on hire-purchase basis on 1<sup>st</sup> July, 2015. The cash price of the machinery is Shs. 75,000. The purchasing Company agreed to pay Shs. 15,000 on signing of the agreement and balance in six half-yearly installments of Shs. 10,000 plus interest @ 12% p.a. on unpaid amount. The Purchasing Company has decided to write off depreciation @ 20% p.a. on original cost basis.

Give necessary ledger accounts in the books of the purchasing company assuming that the books are closed on 31<sup>st</sup> December each year. **(25marks)**

**Question Two**

Kamau and John entered into a Joint Venture on 15<sup>th</sup> April, 2015. They opened a joint banking account with a sum of Kshs. 70,000 out of which Kamau contributed Kshs. 40,000 and John contributed the balance. They agreed to share profits or losses in the ratio of 3:2 after providing for interest on capitals at 6% p.a.

They purchased goods for Kshs. 60,000 in cash and sent to a Nakuru agent for sale. Freight and Insurance amounted to Kshs. 3,800. All the goods were sold by the agent for Kshs. 105,000 and the agent remitted the amount after deducting his commission at 10% and expenses Kshs. 1,650

**Required:**

Prepare necessary accounts in the books of Joint Venture, assuming that the final settlement was made on 15<sup>th</sup> August, 2015 **(15marks)**

**Question Three**

Kamau owned the patent of safety lock. Seth and Co. acquired the right to manufacture and sell locks for seven years on the following terms:

- a) Otieno and Co. to pay Kamau a royalty of Shs. 5 for each lock sold with a minimum annual payment of Shs. 50,000. Accounts are to be settled annually on 31<sup>st</sup> December
- b) If in any year the royalty calculated on locks sold amounted to less than Shs. 50,000. Seth and Co. is to have the right to deduct the deficiency from the royalty payable in excess of that sum in the two following years.

The number of locks sold was as follows:

Year ended 31<sup>st</sup> December:

2012	8,000
2013	9,000
2015	11,000
2016	18,000

Prepare the necessary ledger accounts to record the above royalty transactions in the books of Seth and Co. which are closed annually on 31<sup>st</sup> December

**Required:**

- i. Royalties Account **(3 marks)**
- ii. Minimum Rent Account **(3 marks)**
- iii. Shortworkings Account **(3 marks)**
- iv. Kamau's Account **(3 marks)**
- v. Profit and Loss Account **(3 marks)**

**Question Four**

The Receipts and Payments Account for the year ending 31<sup>st</sup> December, 2012 of the Lion Club is as follows:

	<b>Kshs</b>	<b>Kshs</b>		<b>Kshs</b>
By Cash Balance		5,000	By Salaries	2,000
By Membership Subscriptions:			By Rent	1,500
012	1,000		By Printing and Stationary	800
013	10,000		By Water and Power	1,500
014	500	11,500	By Newspapers and Periodicals	1,800
By Income from Entertainments	200		By Furniture	5,000
By Interest	150		By Repairs to Furniture	200
			By Refreshments	1,000
			By Closing Balance	3,050
		<b>16,850</b>		<b>16,850</b>

**Additional Information**

- a) The number of members of the club was 500 and the membership subscription was Kshs. 2 per month
- b) The rent of the Club House was Kshs. 150 per month
- c) At the end of the year prepaid salary was Kshs. 200
- d) In 2012, Kshs. 5,000 were deposited in Fixed Deposit Account for 3 years in a bank, carrying 6% interest p.a.
- e) The other assets on 1<sup>st</sup> January, 2013 were as follows: Furniture Kshs. 8,000 and Sports equipments Kshs. 4,000
- f) Depreciation is to be provided @ 10% p.a. on Furniture and Sports equipments.

**Required:**

- i) Prepare Income and Expenditure Account for the year ending 31<sup>st</sup> December, 2013 **(10marks)**
- ii) Balance Sheet as on that date. **(5marks)**

**Question Five**

The following is the trial balance of a farm as on 31<sup>st</sup> December, 2015

<b>Debit</b>	<b>Shs.</b>	<b>Credit</b>	<b>Shs</b>
Land and Building	210,000	Capital	270,000
Farm Machinery	108,000	Profit and Loss a/c	10,000
Sundry Debtors	30,000	Loan	60,000
Cash in Hand	26,000	Provision for Depreciation	30,000
<b>Stock on 1-1-2015</b>		Sales of Wheat	35,000
Growing Crops, Wheat, Seeds and Fertilizers	20,000	Sales of Livestock	75,000
Livestock	25,000	Manager's Personal a/c	2,000
Feeding Materials	6,000	Bank Overdraft	3,000
<b>Salaries and Wages:</b>		Sundry Creditors	15,000
Manager's Salary	6,000		
Farm Labour	5,000		
Office Expenses	4,000		
Crop Expenses	10,000		
Livestock Expenses	28,300		
Livestock Purchases	12,500		
Farm House Expenses	1,200		
Staff Meals	500		
Repairs to Machinery	1,000		
Interest on Loan (Crop)	4,000		
Tools and Implements	2,500		
	<b>500,000</b>		<b>500,000</b>

**Additional Information:**

1. Stock on 31/12/2015

	Shs.
Growing Crops, Wheat, Seeds and Fertilizers	10,000
Livestock	40,000
Feeding Materials	1,000
Tools and Implements	2,000

2. Depreciation on tools and implements is to be apportioned between crop and livestock equally
3. The livestock a/c is chargeable with 20% of Manager's salary and staff meals

**Required: Prepare**

- i. Crop Account, Livestock Account for the year ending December, 31 2015 **(8 marks)**
- ii. Profit and Loss Account for the year ending December, 31 2015 **(4 marks)**
- iii. A Balance Sheet as at December, 31 2015 **(3 marks)**

**QUESTION SIX**

From the following information and balances extracted from the books of accounts of African Bank Ltd as on 31<sup>st</sup> December, 2015

**Trial Balance**

	Shs. (000)	Shs. (000)
Capital (Authorized and issued)		
-100,000 shares of Shs. 50 Reserve Fund		5,000
Land and Building	1,500	6,250
Investments:		
- Govt. Securities	17,000	
- Shares	7,950	
Current Deposits		22,750
Savings Accounts		8,260
Compulsory Deposits (Contra)		1,000
Fixed and Time Deposits		17,590
Liability for Customers' acceptance (contra)	7,584	
Compulsory deposits (contra)	1,000	
Furniture, fixtures and office equipment	250	
Bills purchased and discounted	17,750	
Loans	20,850	
Bills for collection	9,050	
Interest accrued on investments	438	
Depreciation on assets	250	
Interest paid	600	
Exchange and commission paid	50	
Salaries	1,200	
Director's fees	50	
Stationery & postage etc.	200	
Miscellaneous expenses	150	
Money at call	750	
Non-banking assets	25	
Sundry creditors		228
Debts due to banks (secured)		6,100

Bills receivable		9,050
Customer's liability for acceptance		7,584
Rebate on bills discount		8
Branch adjustments (credit)		2,276
Interest and discount received		2,900
Exchange and commission received		878
Profit and loss account		426
Cash in hand	653	
Cash at ban (other banks)	3,000	
	<b>90,300</b>	<b>90,300</b>

**Additional Information**

- i. Make a provision for corporation tax Shs. 500,000
- ii. Current Account includes Shs. 4,250,000 debit balances being overdraft.
- iii. One of the accounts Shs. 50,000 (including Shs. 5,000) is doubtful.
- iv. During the year a property was acquired in satisfaction of a claim amounting to Shs. 25,000 and was sold for Shs. 18,000. The loss resulting therefrom remained unadjusted in the books.

**Required**

- i. Prepare a Profit and Loss Account **(8 marks)**
- ii. Balance Sheet as on that date. **(5marks)**
- iii. Appropriation Account **(2marks)**