TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS STUDIES

BACHELOR OF BUSINESS ADMINISTRATION,BACHELOR OF COMMERCIAL

(Y2, S2)

BAC 4202: INTERMEDIATE ACCOUNTING 11

END OF SEMESTER EXAMINATIONS

SERIES: MAY, 2016

TIME: 2 HOURS

INSTRUCTIONS:

-This paper consists of section A and B

-Section A is Compulsory. Answer any Two questions in section B

-Mobile phones are not allowed into the examination room

-Cheating leads to disqualification

-This paper consists of Two printed pages

Q1a).If the contract rate is 10%, determine whether the bond will sell at par, at a discount or at a premium under the following market rate conditions. (3marks)

i) 12%
ii) 8%
iii) 10%

b). A 5-year sh. 90,000 bond with a stated annual rate of 10% is sold to yield a market rate of 8%.

Required

i) Compute the selling price of the bond. (3 marks)
ii) Prepare an amortization table. (10marks)

c) Briefly explain any three features of a finance (6marks)

d) Explain the following terms as used in pension schemes.

i) Current service cost (2marks)
ii) Vested benefits (2marks)
iii) Service cost (2marks)
iv) Experience adjustments (2marks)

Q2 a, The issued and fully paid share capital of Uzima Ltd on 1st January 2012 comprised of:

400,000 7% cumulative preference shares of sh.10 each. Sh.4, 000,000

3,000,000 ordinary shares of sh.10 each. Sh. 30,000,000

On 1st September2012 a further 600,000 ordinary shares were issued and fully paid for in cash. The post-tax profit for the period to 31st. Dec 2012 was 1,976,000.

Required

Compute the earnings per share. (10marks)

b) Briefly discuss any Five types of temporary differences. (10marks)

Q3.Kamau rents a building to Juma for 3 years starting January 1st 2012. Both the cost and selling price to Kamau are sh.25, 000. There will be three lease payments beginning January 1st 2012. The building has a three year life with no salvage value. Kamau's target rate of return is 8%.

Required

a) Compute the annual rental. (3marks)
b) Prepare entries for both lessor and lessee for 2012. (7marks)
c) Prepare an amortization schedule, (10marks)

Q4.a) Explain the treatment of contingent liabilities as per the IAS. (6marks)

b) A company acquired a fixed asset on 1st January 2010 at cost of sh. 1,000,000. The company's depreciation policy is to depreciate the asset over 5 years on a straight line basis with no salvage value. The company made an average profit before tax of sh. 600,000 in each of the five years. The tax rate for each of the 5 years was given as shown below.

Year	1	2	3	4	5
	20%	25%	30%	35%	40%

The capital allowance was as follows;

Year	1	2	3
	40%	35%	20%

Required

i) Calculate the current tax for each year. (8marks)
ii) Calculate the reversing temporary difference for each year. (6marks)

Q5 a) .Explain five actuarial assumptions made by actuaries when valuing a defined benefit scheme. (10marks)

b) Briefly explain the following terms. (10marks)

i) Defined contribution plan

ii) Defined benefit plan

iii) Basic earnings per share
iv) Diluted earnings per share
v) Temporary differences