



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

BCOM /BBA

BAC4204: INTERMEDIATE ACCOUNTING ONE

END OF SEMESTER EXAMINATION

SERIES:DECEMBER2016

TIME:2HOURS

DATE:Pick DateDec2016

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attemptquestion ONE (Compulsory) and any other TWO questions.

Do not write on the question paper.

Question ONE

a) Dynasol Ltd has the following information regarding its merchandise transactions for 2015.

Jan 1	balance	100 units @sh.50
March 30	purchase	200 units @sh.55
April 15	sale	125 units
June 2	purchase	300 units @.49
Aug 5	sale	250 units
Oct 8	purchase	275 units @.63
Dec 10	sale	350 units

Required:

Determine the cost of goods sold and ending inventory balance under FIFO, LIFO and weighted average under the periodic system. (12 marks)

- b) Explain the main constraints to the achievement of the desired qualitative characteristics of accounting information (6marks)
- c) (i) Red corporation purchased a machine for sh.42, 000 on January 1st 2014. The machine has a 4-year life and salvage value of sh.2000.

Required:

Determine depreciation for each year under sum-of-the –years digit (SYD) (4marks)

- (ii) On January 1st 2011 Green Corporation purchased a sh.22, 000 Machine with a sh. 1000 salvage value and a 3-year life. The machine has a capacity of 1,050 units and produced the following:

Year,	
2011	500 units
2012	300 units
2013	150 units
2014	100 units

Required:

Determine the annual depreciation under the following methods:

- (a) Straight-line method (3marks)
- b) Activity method (5marks)

(Total = 20 marks)

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Question TWO

The statement of financial position as at 31 March 2014 of Pondamali Limited included an allowance for doubtful debts of sh.4.6 million. The company’s accounts for the year ended 31 March 2015 are now being prepared. The company’s policy now is to relate the allowance for doubtful debts to the age of debts outstanding.

The debts outstanding at 31 March 2015 and the required allowances for doubtful debts are as follows:

Debts outstanding	Amount Sh.000	Allowance for doubtful debts %
Upto 1 month	60,000	0.5
More than 1 month and up to 2 months	42,000	1
More than 2 months and upto 3 months	34,000	2
More than 3 months	20,000	3

Customers are allowed a cash discount of 2% for settlement of debts within one month. It is now proposed to make a provision for discounts to be allowed in the company’s accounts for the year ended 31 March 2015.

Required:

Prepare the following accounts for the year ended 31 March 2015 in the books of Pondamali Limited to record the above transactions:

- (a) Allowance (Provision) for doubtful debts: (10 marks)
 (b) Provision for discounts to be allowed on debtors. (10 marks)
(Total = 20 marks)

Question THREE

High tide manufacturing company sells its products offering 30days credit to its customers. Uncollectible amounts are estimated by accruing a monthly charge to bad debts expense equal to 2% of credit sales. At the end of the year, the allowance for uncollectible accounts is adjusted based on an aging of accounts receivable. The company began 2010 with the following balances in its accounts:

Accounts receivable sh.305, 000

Allowable for uncollectible accounts sh. (25,500)

During 2010, sales on credit were sh. 1,300,000, cash collections from customers were sh.1, 250,000 and actual write offs of accounts were sh.25, 000. An aging of accounts receivables at the end of 2010 indicates a required allowance of sh.30, 000.

Required,

- (i) Determine the balance in accounts receivable and allowance for uncollectable accounts at the end of 2010. (10 marks)
 (ii) Determine bad debts expense for 2010. (4marks)
 (iii) Prepare journal entries for the monthly accrual of bad debts (in summary form), write-off of receivables and the year-end adjusting entry for bad debts. (6marks).

(Total = 20 marks)

Question FOUR

The Hi-Tec. Corporation manufactures makes and sells video games for personal computers. The unadjusted trial balance as of December 31, 2010 appears below. December 31 is the company's Fiscal year end. The company uses the perpetual inventory system.

Account Title	Debits sh	Credits sh
Cash	23,300	
Accounts Receivable	32,500	
Accumulated provision for bad & doubtful debts		100
Inventory	65,000	
Equipment	75,000	
Accumulated Depreciation -Equipment		10,000
Accounts Payable		26,000
Wages Payable		3,000

Note Payable		30,000
Capital stock		80,000
Retained Earnings		16,050
Sales Revenue		180,000
Cost of goods sold	95,000	
Wage expense	32,350	
Rent expense	14,000	
Supplies Expense	2,000	
Utility expense	6,000	
	345,150	345,150

Additional Information

The equipment was purchased in 2008 and is being depreciated using the straight-line method over an eight -year useful life with no salvage value.

Accrued wages at year -end should be sh. 4,500.

The company provision for doubtful debts estimated at 2% of all year -end accounts receivable

The company borrowed sh. 30,000 on September 1, 2010 at an interest of 10 %.

This interest has not been repaid to date.

Prepaid rent at year -end should be sh. 1,000.

Required

i) Prepare the necessary journals to record the adjusting entries (5marks)

ii) Prepare the adjusted trial balance as at December 31,2010 (4marks)

iii) Prepare an Income statement and balance sheet for the year to December 31, 2010 (11marks)

(Total = 20 marks)

Question FIVE

The following is a summary of a cashbook as presented by Gama Ltd for the month of October 2016.

Cashbook			
	Sh.		Sh.
Receipts	146,900	Balance b/d	76,100
Balance c/d	<u>55,400</u>	Payments	<u>126,200</u>
	<u>202,300</u>		<u>202,300</u>

All receipts are banked and all payments are made by cheque.

On investigation you discover:

- (1) Bank charges of sh.13,600 entered on the bank statement had not been entered in the cash book.
- (2) Cheques drawn amounting to sh.26, 700 had not been presented to the bank for payment.

- (3) Cheques received totaling sh.76, 200 had been entered in the cashbook and paid into the bank, but had not been credited by the bank until 3 November.
- (4) A cheque for sh.2, 200 for sundries had been entered in the cashbook as a receipt instead of as a payment.
- (5) A cheque received from K. Kones for sh.8, 000 had been returned by the bank and marked “No funds available”. No adjustment has been made in the cashbook.
- (6) A standing order for a business rates installment of sh.15, 000 on 30 October had not been entered in the cashbook.
- (7) All dividends received are credited directly to the bank account. During October amounts totaling sh.6, 200 were credited by the bank but no entries were made in the cashbook.
- (8) A cheque drawn for sh.6,600 for stationery had been incorrectly entered in the cashbook as sh.6,000.
- (9) The balance brought forward in the cashbook should have been sh.71,100, but not sh.76,100.

Required:

- (a) Show the adjustments required in the cashbook. (10 marks)
 - (b) Prepare a bank reconciliation statement as at 31 October 2016. (10 marks)
- (Total = 20 marks)**

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