



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

Department of Accounting & Finance

**UNIVERSITY EXAMINATION FOR:
BACHELOR OF COMMERCE
BACHELOR OF BUSINESS ADMINISTRATION**

**BAC 4204: INTERMEDIATE ACCOUNTING I
END OF SEMESTER EXAMINATION**

SERIES: JULY 2025

TIME: 2 HOURS

DATE: 2025

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of FIVE questions. Question One is Compulsory. Answer any other two questions.

Do not write on the question paper.

Question ONE (Compulsory)

- Briefly outline the usefulness of the existence of the accounting conceptual framework (4marks)
- Describe the qualitative characteristics of financial statements. (6 marks)
- A machine bought for business cost Ksh.1, 700, 000. It is expected to last for five years and then be sold for scrap for Ksh.200, 000. Usage over the five years is expected to be:

Year 1	200 days
Year 2	100 days
Year 3	100 days
Year 4	150 days
Year 5	40 days

Required: Work out the depreciation to be charged each year under:

- The straight line method (3marks)
- The reducing balance method (using a rate of 35%) (5marks)
- The machine hour method. (6marks)
- The sum -of -the digits method (6marks)

(Total = 30 marks)

Question TWO

The bank statement for Jomvu ltd for June 30, 2022, indicates a balance of Ksh.9, 143.11. All cash receipts are deposited each evening in a night depository, after banking hours. The accounting records indicate the following summary data for cash receipts and payments for June.

Cash balance as June 1	Ksh.3, 943.50
Total cash receipts for June	28, 971.60
Total amount of checks issued in June	28,388.85

Comparing the bank statement and the accompanying canceled checks and memorandums with the records reveal the following reconciling items.

- The bank had collected for High rise co. ltd Ksh.1,030 on a note left for collection. The face of the note was Ksh.1, 000
- A deposit of ksh.1,852.21, representing receipts of June 30, had been made too late to appear on the bank statement.
- Checks outstanding totaled Ksh. 5, 265.27
- A check drawn for sh. 139 had been incorrectly charged by bank as sh. 157
- A check for sh.30 returned with the statement had been recorded in the depositor's records as sh.240. The check was for the payment of an obligation to Avery Equipment Company for the purchase of office supplies on account.
- Bank service charge for June amounted to Ksh.18.20

Required:

- Prepare a bank reconciliation statement for June (10 marks)
- Briefly explain any FIVE causes of differences between accounting records and the bank statement. (5 marks)
- Explain any five principles of internal control over cash receipts (5marks)

(Total = 20 marks)

Question THREE

- (a) From the following figures calculate the closing inventory in trade that would be shown using (i) FIFO, (ii) LIFO, (iii) AVCO Methods (5marks)

	Bought	Sold
March	100 @ sh.1600 each	December 130 for sh.2400 each
September	220 @ sh.1900 each	

- (b) Draw up the trading account parts of the statement of profit or loss for the year showing the gross profits that would have been reported using (i) FIFO, (ii) LIFO, (iii) AVCO Methods from the details in part (a) above. (5 marks)
- c) Briefly explain the following terms. (10marks)
- Perpetual inventory control system
 - Periodic inventory control system
 - Depreciation
 - Depletion

vi) Amortization

(Total = 20 marks)

Question FOUR

The Kwale Company needs to prepare financial statements at the end of August 2023 for presentation to its bank. The following information also is available:

- a) The company anticipates that of the Ksh. 25,000 in accounts receivable from customers, Ksh. 2,500 will not be collected.
- b) The note payable requires the entire Ksh 30,000 in principal plus interest at 10% to be paid on July 31, 2024. The date of the loan is August 1, 2023.
- c) Depreciation on the equipment for the month of August is Ksh.500
- d) The note receivable is dated August 16, 2023. The note requires the entire Ksh 20,000 in principal plus interest at 12% to be repaid in four months (the loan was outstanding for one-half month during August.)
- e) The prepaid rent of Ksh.6,000 represents rent for the month of August and September.

Required:

- i) Prepare any necessary adjusting entries at August 31, 2023 (5marks)
- ii) Prepare an adjusted trial balance as of August 31, 2023 (10 marks)
- iii) What is the total net effect on income (overstated or understated) if the adjusting entries are not made? (5 marks)

(Total = 20 marks)

Question FIVE

The Ukunda L manufacturing company sells its products, offering 30 days' credit to its customers. Uncollectible amounts are estimated by accruing a monthly charge to bad debt 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 2018 with the following balances in its accounts.

Accounts receivable	Ksh. 305,000
Allowance for uncollectible accounts	Ksh. 25,500

During 2018, sales on credit were Ksh. 1,300,000, cash collections from customers were Ksh.1,250,000 and actual write-offs of accounts were Ksh.25,000. An aging of accounts receivable at the end of 2018 indicates a required allowance of Ksh. 30,000.

Required:

- i) Determine the balances in accounts receivable and allowance for uncollectible accounts at the end of 2018. (11marks)
- ii) Compute bad debt expense for 2018. (2marks)
- iii) Prepare journal entries for the monthly accrual of bad debts (in summary form), the write-off of receivables and the year-end adjusting entry for bad debts. (3marks)
- iv) Distinguish between cash discount and trade discount. (4marks)

(Total = 20 marks)