



# TECHNICAL UNIVERSITY OF MOMBASA

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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: DECEMBER 2024**

**TIME: 2 HOURS**

**DATE: 2024**

**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.**

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**Question ONE (Compulsory)**

a) Explain the following terms; (5marks)

- i) Accrued expenses
- ii) Lines of credit
- iii) Provision for bad and doubtful debts
- iv) Liabilities
- v) Depreciation

b) Kisauni ltd has the following information regarding its merchandise for 2023.

Jan. 1	Balance	400 units @sh.3
May 1	Purchase	200 units @sh.4
July 15	Sale	300 units
Oct. 10	Purchase	250 units @ sh.5
Nov. 14	Sale	400 units
Dec. 9	Purchases	100 units @ sh 6
Dec.18	Sale	125 units

Required: Using the periodic system, determine cost of goods sold and the ending inventory balance under; i) FIFO ii) LIFO and iii) weighted average (9marks)

c) Name any five users of financial information and briefly explain their user needs. (10marks)

d) Explain the following accounting principles and assumptions. (6 marks)

- i) Matching concept

- ii) Materiality concept
- iii) Periodicity

**(Total = 30 marks)**

### Question TWO

Mvita ltd Company purchased a piece of equipment on January 1, 2019, at a net cost of Ksh.1, 300, 000. At the end of its four –year useful life, the company estimates that the equipment will be worth Ksh.300, 000. Mvita ltd also estimates that the machine will run for 25,000 hours during its four- year life. The company’s fiscal year ends on December 31.

Actual production was as follows:

Year	Machine hours
2019	6,000
2020	8,000
2021	5,000
2022	7,000

Required: Compute depreciation for 2019 through 2022 using each of the following methods:

- i) Straight line (3marks)
- ii) Sum-of-years’-digits (5marks)
- iii) Reducing balance method (6marks)
- iv) Units of production (using machine hours). (6marks)

**(Total = 20 marks)**

### Question THREE

Likoni ltd Company maintains a general checking account at the Equity Bank. The bank provides a bank statement and canceled checks once a month. The cutoff date is the last day of the month. The bank statement for the month of May is summarized as follows:

Balance, May 1, 2023	Ksh.321, 200
Deposits	821,400
Checks processed	(784,330)
Service charges	(800)
NSF checks	(21, 870)
Note payment collected by bank (includes Ksh.1, 200 interest	<u>11,200</u>
Balance, May 31, 2023	<u>346, 800</u>

The company’s general ledger cash account has a balance of Ksh.352, 760 at the end of May. A review of the company records and the bank statement reveals the following:

- a) Cash receipts not yet deposited totaled Ksh. 29, 650
- b) A deposit of Ksh. 10, 200 was made on May 31 that was not credited to the company’s account until June.
- c) All checks written in April have been processed by the bank. Checks written in May that had not been processed by bank total Ksh.55, 360
- d) A check written for Ksh.17, 900 was incorrectly recorded by the company as a Ksh.790 disbursement. The check was for payment to a supplier of raw materials.

Required:

- i) Prepare a bank reconciliation statement for the month of May. (10 marks)
- ii) Explain the primary functions of internal controls procedures in the accounting department. (10marks)

**(Total = 20 marks)**

**Question FOUR**

- a) Distinguish the following terms: (8marks)
  - i) Depreciation
  - ii) Depletion
  - iii) Amortization
  - iv) Goodwill
- b) On October 1 2022, Changamwe ltd completed the purchase of E Company for Ksh. 200million. Included in the allocation of the purchase price were the following identifiable intangible assets (in millions), along with the allocated amounts and estimated useful lives:

Intangible assets

Intangible assets	Allocated Amount	Useful life ( in years)
Patent	Ksh.10	5
Development technology	50	4
Customer list	10	2

In addition, Ksh. 100million was allocated to tangible assets and Ksh 30 million to goodwill. Straight-line amortization is used for all purchased intangibles.

During 2022, the company finished work on a software development project. Development costs incurred after technological feasibility was achieved and before the product release date totaled Ksh.2million. The software was available for release to general public on September 29, 2022. During the last three months of the year, revenue from the sale of the soft-ware was Ksh 4 million. The company estimates that the software will generate an additional Ksh.36 million in revenue over the next 45 months.

Required: Compute;

- i) Amortization for purchased intangibles (6marks)
- ii) Amortization for software development costs (6marks)

**(Total = 20 marks)**

**Question FIVE**

- a) What is the function and primary focus of financial accounting? (4marks)
- b) Briefly explain the four key broad accounting principles that guide accounting practice. (8 marks)
- c) Discuss the following accounting assumptions: (4marks)
  - i) Economic entity
  - ii) Monetary unit
- d) Explain the significance of a conceptual framework to the accounting profession. (4marks)

**(Total = 20 marks)**