



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS
Department of Accounting & Finance
**UNIVERSITY EXAMINATION FOR:
BACHELOR OF COMMERCE AND
BACHELOR OF BUSINESS ADMINISTRATION
BAC 4204: INTERMEDIATE ACCOUNTING 1
END OF SEMESTER EXAMINATION
SERIES: AUGUST 2024
TIME: 2 HOURS
DATE: AUGUST 2024**

Instructions to Candidate

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

a) Discuss the importance of accounting information to the following user groups?

- | | |
|----------------|---------|
| i) Investors | (1mark) |
| ii) Creditors | (1mark) |
| iii) Suppliers | (1mark) |
| iv) Government | (1mark) |
| v) Employees | (1mark) |

b) The bank statement for High rise co. ltd for June 30, 2019, 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.

- a, 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
- b, A deposit of ksh.1,852.21, representing receipts of June 30, had been made too late to appear on the bank statement.

- c, Checks outstanding totaled Ksh. 5, 265.27
- d, A check drawn for sh. 139 had been incorrectly charged by bank as sh. 157
- e, 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.
- f, Bank service charge for June amounted to Ksh.18.20

Required:

- i) Prepare a bank reconciliation statement for June (10 marks)
- ii) Explain any five principles of internal control over cash receipts. (7marks)
- c) Briefly explain the following accounting assumptions;
 - i) Economic entity (2marks)
 - ii) Periodicity (2marks)
 - iii) Monetary unit (2marks)
 - iv) Going concern (2marks)

Question TWO.

- a) ABC Ltd has the following information regarding its merchandise for 2019.

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 8
Dec.18	Sale	125 units

Required: Using the periodic system, determine cost of goods sold and the ending merchandise inventory balance under; i) FIFO ii) LIFO and iii) weighted average (11marks)

- b) Distinguish between Periodic and Perpetual inventory systems. (3marks)
- c) Explain the steps to be followed in the accounting cycle process. (6marks)

Question THREE

- a) A lorry bought for a business cost sh.17million. It is expected to last for 5 years and be sold for scrap for sh.2million. Usage over the five years is expected to be:

Year	1	2	3	4	5
No. of Days	200	100	100	150	40

Required:

Work out the depreciation to be charged each year under:

- (i) Straight line method (5marks)
- (ii) The reducing balance method (using a rate of 35%) (5marks)
- (iii) The machine hour method (5marks)

- (iv) The sum-of-the-years digits method (5marks)

Question FOUR

- a) Explain the following terms;
- i) Cash equivalent (1mark)
 - ii) Lines of credit (1mark)
 - iii) Assets (1mark)
 - iv) Liabilities (1mark)
 - v) Gains (1mark)
- b) Explain the function and primary focus of financial accounting. (3marks)
- c) Briefly explain the four key broad accounting principles that guide accounting practice. (8marks)
- d) Explain the significance of a conceptual framework to the accounting profession. (4marks)

Question FIVE

The Marikiti Wholesale Company needs to prepare financial statements at the end of August 2018 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, 2018. The date of the loan is August 1, 2018.
- c) Depreciation on the equipment for the month of August is Ksh.500
- d) The note receivable is dated August 16, 2018. 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, 2018 (5marks)
- ii) Prepare an adjusted trial balance as of August 31, 2018 (10 marks)
- iii) Explain the total net effect on income (overstated or understated) if the adjusting entries are not made? (5 marks)