



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
SUPPLEMENTARY EXAMINATION
SERIES: MARCH, 2025
TIME: 2 HOURS
DATE: MARCH, 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

- a) Highlight any four intangible assets. (4marks)
- b) Explain the qualitative characteristics of accounting information. (6marks)
- c) Briefly explain the following accounting principles:
 - i) Matching (2marks)
 - ii) Realization (2marks)
 - iii) Full disclosure (2marks)
 - iv) Historical cost (2marks)
- d) Bridge Company Limited engaged in the following inventory transactions during the first six months of 2017.

Date	Transactions
January 20 th	beginning inventory of 10,000 units @ sh.5
February 10 th	purchased on account 5,000 units @ sh.6.50
March 15 th	sold on account 8,000 units @ sh.12
April 30 th	purchased on account 5,000 units @ sh.7

On June 30th 2017, 12,000 units were on hand.

Required:

Compute the ending inventory and cost of goods sold, applying each of the following inventory methods. (The company uses periodic inventory system).

- (i) Average (3marks)
- (ii) FIFO (3marks)

- (iii) LIFO (3marks)
 (iv) Distinguish between a periodic and perpetual inventory systems. (3marks)

Question TWO

a) Mombasa millers Ltd purchased a fabricating machine on January 1, 2017, at a net cost of sh.130, 000. At the end of its four- year useful life, the company estimates that the machine will have a residual value of sh.30, 000. Mombasa millers also estimate that the machine will run for 25,000 hours during its four year life.

Required:

Compute depreciation for 2017 through 2020 using each of the following methods:

- i) Straight line (2marks)
 ii) Sum -of- the- years'- digits (SYD) (4marks)
 iii) Double declining balance (4marks)
 iv) Units of production (using machine hours) (4marks)

Actual production was as follows;

Year	2017	2018	2019	2020
Machine hours	6,000	8,000	5,000	7,000

- b) Briefly explain the following terms:
 i) Depletion (2marks)
 ii) Amortization (2marks)
 iii) Depreciation (2marks)

Question THREE

On November 30, 2019 Kapendo Ltd shows a balance of sh. 42,000. The bank statement however shows a balance of sh.50, 000. After examination of the bank statement, the books, and the returned check, the accountant noted the following:

1. Check No.482 for sh. 12, 000 and check No 495 for sh. 8,000 are still outstanding.
2. A check for sh. 2,000 that was received from Mr. Gambo has "bounced". It has been returned with the bank statement and marked "NSF".
3. A deposit we made on November 29 for sh. 30,000 does not appear on the bank statement.
4. The bank charged us a sh. 100 service fee to handle the NSF check.
5. The bank charged us a sh. 150 monthly checking account fee.
6. Check No. 474 for sh. 850 was mistakenly charged by the bank for only sh. 580.
7. The bank collected a sh. 20, 000 notes for us and deposited the proceeds into our account.
8. The checking account earned sh. 300 interest during the month.
9. The bank mistakenly charged us for a check of sh. 320 which we never wrote. It was written by Stima Ltd.

Required

- a) Prepare a bank reconciliation statement for the month ending November 30, 2017. (9 marks)

- b) State five reasons for disparity between the bank statement and the company's cash book (5marks)
- c) Explain the importance of cash management in an organization set-up. (6marks)

Question Four

- a) Explain the necessary internal controls procedures in the accounting department. (10marks)
- b) Highlight the constraints that prevent the achievement of the desired qualitative characteristics of accounting information. (6marks)
- c) Distinguish between the following:
- i) Committed and non-committed lines of credit. (2marks)
 - ii) Cash and Cash equivalents (2marks)

Question Five

- a) On January 20, 2016, Maendeleo ltd purchased mineral rights to coal deposit at Mui basin for sh.2million. Development costs and the present value of estimated land restoration costs totaled an additional sh. 3.6million. The company removed 300,000 tons of coal during 2016 and estimated that an additional 1,700,000 tons would be removed over the next 15 months.

Required:

Compute depletion on the mine for 2016. (6marks)

- b) Company XYZ ltd has the following assets and liabilities.

(Ksh.)	Book value (Ksh.)	Fair market value
Accounts receivables	60,000	50,000
Machinery	20,000	40,000
Buildings	65,000	94,000
Interest payable	(22,000)	(22,000)

Required;

- i) Before calculation for goodwill is made, what value should the purchaser assign to company XYZ ltd? (4marks)
 - ii) Assume that a purchaser pays sh. 185,000. How much is the goodwill? (4marks)
- c) Briefly explain the various causes of depreciation. (6marks)