



TECHNICAL UNIVERSITY OF MOMBASA

Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF BUSINESS ADMINISTRATION

BAC 4200: INTERMEDIATE ACCOUNTING I

END OF SEMESTER EXAMINATIONS

SERIES: AUGUST 2013

TIME: 2 HOURS

INSTRUCTIONS:

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
This paper consists of Four printed pages
-

QUESTION 1 (Compulsory)

- a) Mr. Kassim has been employed an audit trainee in a firm of professional auditors where you have been working for the last few years. He is seeking your advice on the applicability of the accounting concepts listed below when dealing with the final accounts of one of your clients.
- i) Consistency
 - ii) Substance over form
 - iii) Prudence
 - iv) Revenue realization
 - v) Business entity concept

Required.

Explain to Mr.Kassim what each concept means and how it can be applied.

(10marks)

- b) Juma received a bank statement dated 31st December 2012 which reflected a credit balance of unknown amount. The cash book balance on the same date was sh.19600. The following discrepancies were later discovered.

- (i) A deposit of Sh.4,300 was entered as sh.3,400 in the cash book.
- (ii) Cheques totaling sh.2,500 deposited on 31st December were not reflected in the bank statement.
- (iii) A cheque for sh.9,000 deposited by wama had been dishonoured.
- (iv) The bank had remitted sh.3,600 on standing order instructions.
- (v) Ledgers fees of shs. 200 had been charged by the bank.
- (vi) A cheque for sh.6,500 drawn in favour of a creditor had not been presented for payment.
- (vii) Cash book was under cost by sh.1000
- (viii) The bank had erroneously credited the amount with sh.800.
- (ix) Dividend received by telegraphic transfer amounted to sh.5,100
- (x) A customer John paid his account of sh.4,200 into the bank.

Required.

- a) The updated cashbook
- b) The bank reconciliation statement as at 31st December 2012. **(20marks)**

QUESTION 2

The following information relates to the stores of Bamburi factory ledger card for a product.

Oct 2nd Received 500 units @ 20/=
 Oct 9th Received 300 units @ 22/=
 Oct 10th Issued 400 units
 Oct 15th Issued 200 units
 Oct 20th Received 600 units @ 25/=
 Oct 27th Received 200 units @ 26/=
 Oct 30th Issued 100 units

Required:

Prepare a stores ledger card and show the value of the closing stock on 31st October under the following;

- i) FIFO methods **(10marks)**
- ii) LIFO methods **(10marks)**

QUESTION 3

The magadi soda company purchased a machine on 1st January 2003 at a net cost of sh.130,000. At the end of its four-year useful life, the company estimates that the machine will be worth sh. 30,000. Magadi also estimates that the machine will run for 25,000 hours during its four year ends on December 31st.

Required.

Compute depreciation for 2003 through 2006 using the following methods.

- i) Straight line. **(3marks)**
- ii) Sum of the years –digits. **(4marks)**

- iii) Double declining balance-reducing balance method at 20% p.a **(4marks)**
 iv) Units of production (using machine hours). **(5marks)**

Actual production was as follows:

Year	machine hours
2003	6,000
2004	8,000
2005	5,000
2006	7,000

- b) Differentiate with examples intangible and tangible assets.. **(4marks)**

QUESTION 4

- a) Explain Five reasons that may lead to a discrepancy between the balance as per cash book and bank statement. **(10marks)**
 b) Mr. Sintie a sole trader received his bank statement for the month of June 2013. At that date the statement showed a credit balance of ksh.49,320 whereas his cashbook showed a debit balance of ksh 36,080.

After a length investigation into the case of the difference the following was discovered.

- i) Cheque totaling ksh 61,450 issued by Sintie did not appear in the bank statement.
- ii) The bank credited cheques totaling ksh.39,450 deposited on the last day of the month on 5th July.
- iii) Bank charges for the month amounted to Ksh.2,410.
- iv) The bank returned a cheque of ksh.6050 deposited by Sintie to the bank on 23rd June. Unpaid on 4th July.
- v) The bank made payments of Ksh.8,000 to Sintie's landlord and another of Ksh.2000 to an insurance company as part of Sintie's standing orders with the bank.
- vi) A debtor remitted ksh.9,800 directly to Sintie's account.

Required.

- i) Adjusted cash book to show a correct balance. **(5marks)**
- ii) Bank reconciliation statement as at 30th June 2013. **(5marks)**

QUESTION 5

a) Briefly explain each of the following terminologies which are of common use in accounting clearly showing how it is applied in financial reporting.

- i) Impairment loss **(2marks)**
- ii) Equity **(2marks)**
- iii) Accrual **(2marks)**
- iv) Prepayments **(2marks)**
- v) Provisions **(2marks)**

b) Briefly explain Five generally accepted accounting principles.

(10marks)