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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
SECOND YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 8th August, 2023

Time: 2.30pm –4.30pm

KAC 200 - INTERMEDIATE ACCOUNTING 1

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a)** A company bought a machine at Kshs500000. The machine has a useful life of 5 years and a residual value of Shs50000. Compute the depreciation charge for the first 3 years using
- Straight line method. (3 Marks)
 - Actuarial method at 20%. (3 Marks)
 - Rule of 78 method. (4 Marks)
- b)** The following information was obtained from the records of a farmer from Mwihoko on his farming activities for the year ended 31 March 2018:

	<u>OPENING STOCK</u>	<u>CLOSING STOCK</u>
Crops	30,000	37,500
Group crops	22,500	33,750
Seeds	15,000	18,750
Cattle	562,500	787,500
Cattle food	75,000	41,250
Poultry	67,500	101,250
Poultry food	7,500	15,000
Fertilizers	37,500	22,500

Purchases during the year:

Poultry	112,500
Seeds	11,250
Cattle	300,000
Cattle food	105,000
Fertilizers	26,250
Poultry food	22,500
Sales during the year:	
Butter	11250
Milk	67,500
Eggs	97,500
Crops	157,500
Flowers	11,250
Fruits	30,000
Cattle	270,000
Poultry	45,000
Vegetables	37,500
Expenses during the year:	
Wages	176250
Insurance	11,250
Depreciation	15,000
Repairs	9,000

Required;

- i) Cattle account. (6 Marks)
- ii) Crop account. (6 Marks)
- iii) Poultry account. (5 Marks)
- iv) Balance sheet extracts. (3 Marks)

QUESTION TWO (20 MARKS)

- a) Differentiate between depreciation, amortization and depletion. (3 Marks)
- b) Discuss the key causes of differences between a bank account and the cash book. (5 Marks)
- c) You are provided with the following information relating to stock Transactions for the month of May 2021.
 - o May 1 Received 250 units at Sh 40 each
 - o May 7 Received 150 units at Sh 44 each
 - o May 9 Issued 200 units
 - o May 14 Issued 100 units
 - o May 19 Received 300 units at Sh 50 each
 - o May 24 Issued 150 units
 - o May 26 Received 100 units at Sh 52 each
 - o May 30 issued 50 units

REQUIRED:

- Determine the value of the closing stock using
- i) First in first out (FIFO) (4 Marks)

- ii) LIFO (Last in First Out) (4 Marks)
- iii) Weighted average. (4 Marks)

QUESTION THREE (20 MARKS)

- a) Discuss the characteristics of a not-for-profit organisation that differentiate them from other businesses. (5 Marks)
- b) The following extracts were made from the accounts of Kiangai Ltd for the year 31st December 2022.

	<u>‘000</u>
Freehold land and buildings at cost	14300
Plant and machinery at cost	10500
Accumulated depreciation on plant and machinery	2300
Purchase of raw materials	13000
Sales	31750
Factory rates	300
Factory heat and light	650
Accounts receivable	3720
Accounts payable	3090
Wages (including Shs1570000 for supervision)	6300
Direct factory expenses	910
Selling expenses	1100
Office salaries and general expenses	4300
Bank	2450
General reserve	3000
Retained profits	1800
Inventory 1 st January 2022: Raw materials	2000
Finished goods	3800
Dividends paid: Preference shares	84
Ordinary shares	2000

The inventory at 31st December 2022 was: raw materials Shs2, 200, 000, finished goods Shs3, 500, 000

- o Salaries include Shs670, 000 for directors' fees.
- o Depreciation is to be charged at 10% on cost of plant and machinery.

Required: Prepare the manufacturing account showing

- i) Factory overheads. (5 Marks)
- ii) Total cost of production for the year. (5 Marks)
- iii) Income statement. (5 Marks)

QUESTION FOUR (20 MARKS)

- a) IAS2 requires that the closing stock be valued on the basis of lower of stock and/or net realizable value. Explain the meaning and importance of this treatment.

(6 Marks)

- b) Sarah's Cash Book showed an overdraft of shs.10, 480 on 31st December 2021. On the same date, her Bank Statement showed a credit balance of shs.3, 800.

On investigation the following was discovered;

- Cheques totaling shs.3, 060 returned by the bank as 'refer to Drawer' had not been entered in the cash book.
- Ledger fees shs.1, 800 and cheques book charges shs.240 debited by the bank have not been entered in the cash book.
- Cheques totaling shs.26, 100 received from debtors and deposited in the bank on 31st December 2021 were credited by the bank on 4th January 2022.
- Payment by cheques amounting to shs.49, 380 to creditors made during December 2021 were not reflected in the bank statement.
- Dividends amounting to sh.2, 100 were received and credited by the bank but no entry was made in the cash book.
- Three payments of sh.2, 000 each made by the bank as per standing order to his landlord have not been recorded in the cash book.

Required;

- i) Updated cash book as at 31st December 2021.

(8 Marks)

- ii) Bank reconciliation Statement as at the same date.

(6 Marks)

QUESTION FIVE(20 MARKS)

- a) For any business organisation, liquidity is more important than profitability. Discuss.

(5 Marks)

- b) Discuss the key features of farming activities that make them unique from an accounting point of view.

(5 Marks)

- c) Differentiate between the treatment of bad debts and provisions for doubtful debts in accounting.

(4 Marks)

- d) Differentiate between the following terms as used in investment;

- i) Blue chips and gilt edged securities

(3 Marks)

- ii) Stock split and bonus issue.

(3 Marks)