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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2019/2020 ACADEMIC YEAR
SECOND YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 8th April, 2019
Time: 11.00am – 1.00pm

KAC 201 - INTERMEDIATE ACCOUNTING 11

INSTRUCTIONS TO CANDIDATES
ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO UESTIONS

QUESTION ONE (30 MARKS)

a) Explain the reasons why small businesses maintain single entry and incomplete records. **(5 Marks)**

b) Differentiate between a long term loan and a debenture **(6 Marks)**

c) Highlight the salient features of the Garner Vs Murray rule **(4 Marks)**

d) Gravel Extractors Ltd acquired the rights to remove gravel deposits from land owned by A. Farmer. The agreement provided for

- The payment of a royalty of Shs400 per ton of gravel extracted
- A minimum payment of Shs200000 per annum
- Recoupment rights for short workings are to expire at the end of year 3.

During the first four years of the contract the following quantities were extracted.

Period	Tons extracted
Year 1	400
Year 2	480
Year 3	540
Year4	560

The company's accounting year ends on 31st December.

Required

i) the bank account (4 Marks)
ii) short-workings account (3 Marks)
iii) royalty account (4 Marks)
iv) landlord account (4 Marks)

QUESTION TWO (20 MARKS)

The balance sheet of Jarapuon, Museve and Kogoiyot who share profits and losses in the ratio 5:3:2 representatively were as follows:

Jarapuon, Museve and Kogoiyot
BALANCE SHEET AS AT 31 DECEMBER 2008

	Shs		Shs
Capital		**Assets**	
Tom	7,000	Property	42,000
Dick	14,000	Goodwill	3,000
Harry	18,000	Bank	5,000
Trade Creditors	11,000		
	50,000		**50,000**

The partners decided to dissolve the partnership on 1 January 2009. The assets were to be realized and the net proceeds distributed among the partners in line with the Garner V Murray Rule.

Realization Date	Book Value	Proceeds of sale
1st February 2009	Sh. 13000	Shs. 9000
2nd March 2009	Sh. 29000	Shs. 33000

Required
Prepare
i) the realization account (9 Marks)
ii) partners accounts (7 Marks)
iii) Bank account. (4 Marks)

QUESTION THREE (20 MARKS)

a) Discuss the use of ratios as a tool for financial analysis of a business organization. **(12 Marks)**

b) Sukari Ltd had a profit before tax of Kshs150 million for the year ended 31st December 2018. The profit figure had taken into account the following items: depreciation Shs12million, profit on sale of the Managing Directors car Shs1.5 million, general provisions for bad debts Shs500000. The Finance Director has consulted Kenya Revenue Authority and capital allowance agreed on at Shs25 million. The corporation tax rate is 30%. Installment tax already paid to KRA is shs13 million.
Required: Compute the tax payable to KRA based on the above facts. **(8 Marks)**

QUESTION FOUR (20MARKS)

The following information was obtained from Kambiti (a farmer from Mwihoko) on his farming activities for the year ended 31 March 2015:

	Opening stock Shs.	Closing stock Shs.
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
Fish	15,000	24,000
Fertilizers	37,500	22,500

Purchases during the year:		
Poultry		112,500
Seeds		11,250
Cattle		300,000
Fish		7,500
Cattle food		105,000
Fertilizers		26,250
Poultry food		22,500
Sales during the year:		
Butter		
Milk		11,250
Eggs		67,500
Crops		97,500
Flowers		157,500
Fruits		11,250
Cattle		30,000
Poultry		270,000
Fish		105,000
Vegetables		45,000
		37,500
Expenses during the year:		
Wages	176,250	
Insurance		
Depreciation		11,250
Repairs		15,000
		9,000

Consumption of farm products by proprietor	Sh.
	3,000
Butter	18,750
Milk	3,750
Eggs	4,500
Vegetables	1,500
Poultry	750
Fish	2,250
Fruits	

Required:

From the information given above, prepare the following accounts for Kambiti for the year ended 31 March 2015:

i) Crop account (5 Marks)

ii) Dairy account (5 Marks)

iii) Poultry account (5 Marks)

iv) Fish account (5 Marks)

QUESTION FIVE (20 MARKS)

a) In relation to Kenyan Tax law explain the basic sources of differences between financial accounting profit and taxable profit. (8 Marks)

b) The trial balance of Allways Books Ltd revealed a difference in the books. In order that the errors may be located it was decided to prepare purchases and sales ledger control accounts.

- Purchases ledger balances Jan 1 194,200
- Sales ledger balances Jan 1 282,270

Totals of the year 2011

- Purchases journal 2,104,160
- Sales journal 3,058,240
- Returns outwards journal 14,520
- Returns inwards journal 36,180
- Cheques paid to suppliers 2,054,190
- Petty cash paid to suppliers 620
- Cheques and cash received from customers 2,873,170
- Discounts allowed 41,020
- Discounts received 17,210
- Bal. on the sales ledger set off against balances in the purchase ledger 6,400

On December 31st the list of balances from the purchases ledger showed a total of Shs202, 100 and that on the sales ledger a total of Shs383, 740.

Required:

Prepare the relevant control accounts to show where an error may have been made. (12 Marks)

QUESTION FIVE (20 MARKS)

a) Discuss the use of ratios as a tool for financial analysis of a business organization. (12 Marks)

b) Sukari Ltd had a profit before tax of Kshs150 million for the year ended 31st December 2018. The profit figure had taken into account the following items: depreciation Shs12million, profit on sale of the Managing Directors car Shs1.5 million, general provisions for bad debts Shs500000. The Finance Director has consulted Kenya Revenue Authority and capital allowance agreed on at Shs25 million. The corporation tax rate is 30%. Installment tax already paid to KRA is shs13 million.

Required: Compute the tax payable to KRA based on the above facts. (8 Marks)