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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
SECOND YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 9th April, 2024
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)

CASE STUDY: ACCOUNTING FOR CASH (CASH BOOK)

Joy land Limited is a wholesale company. The accountant recorded the following transaction for the month of May 2022

May	1	Balances brought forward: Cash £230; Bank £4,756.
“	2	The following paid their accounts by cheque, in each case deducting 5 percent discounts: R Burton £140; E Taylor £220; R Harris £800.
“	4	Paid rent by cheque £120.
“	6	J Cotton lent us £1,000 paying by cheque.
“	8	We paid the following accounts by cheque in each case deducting a 2.5 per cent cash discount: N Black £360; P Towers £480; C Rowse £300.
“	10	Paid motor expenses in cash £44.
“	12	H Hankins pays his account of £77, by cheque £74, deducting £3 cash discount.
“	15	Paid wages in cash £160.
“	18	The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston £260; R Wilson & Son £340; H Winter £460.
“	21	Cash withdrawn from the bank £350 for business use.
“	24	Cash Drawings £120.
“	25	Paid T Briers his account of £140, by cash £133, having deducted £7 cash discount.
“	29	Bought fixtures paying by cheque £650.
“	31	Received commission by cheque £88.

Required:

- Prepare a three column cash book for Joyland wholesalers (10 marks)
- Identify and explain any three financial accounting statements prepared by Joyland accountant (6 Marks)
- Identify two classification of current asset and give three examples of each that Joyland wholesalers holds. (6 Marks)
- Explain to the Joyland wholesalers owner any Four advantages of maintaining a cash book (8 marks)

QUESTION TWO (20 MARKS)

- a) Accounting cycle provides a clear guide for the recording, analysis, and final reporting of a business's financial activities. Identify the Eight steps of accounting cycle (8 marks)
- b) Discuss the three inventory valuation method (6 Marks)
- c) Discuss the main purposes of bank reconciliation statement as used to account for cash. (6 Marks)

QUESTION THREE (20 MARKS)

- a) XYX limited purchased a machine on April 1, 2022 for Ksh 200,000 whose life was expected to be 10 years. Its estimated scrap value at the end of 10 years was Ksh 20,000.
Required
- i) Find the amount of depreciation to be charged to Profit and Loss Account every year. (4 Marks)
- ii) Calculate the rate on which depreciation is to be charged every year. (4 Marks)
- b) Outline four reasons why Accountants should observe International Accounting Standards when preparing financial statements. (8 Marks)
- c) Discuss four ways in which an organization can dispose off fixed assets (4 marks)

QUESTION FOUR (20 MARKS)

- a) Define the following terms that relates to the investment in equity instruments
- i) Cum dividend (2 Marks)
- ii) Ex dividend (2 Marks)
- iii) Bonus Issue (2 Marks)
- iv) Right issue (2 Marks)
- b) Identify two objectives of short term investments (4 marks)
- c) On January 1, 2007, ABC Company purchased 12% bonds, having a maturity value of Sh.300,000, for Sh.322,744. The bonds provide the bondholders with a 10% yield. They are dated January 1, 2007, and mature January 1, 2012, with interest receivable December 31 of each year. ABC Company uses the effective-interest method to allocate unamortized discount or premium. The bonds are classified in the held-to-maturity category.
Using the above information.
- i) Prepare the journal entry at the date of the bond purchase. (2 marks)
- ii) Prepare a bond amortization schedule (3 marks)
- iii) Outline any three classifications of investments (3 marks)

QUESTION FIVE(20 MARKS)

- a) Highlight two classifications of leases (4 Marks)
- b) Fixed assets play a crucial role in the success and stability of a business, Discuss four importance of fixed assets to an organization (8 Marks)
- c) ABC Ltd purchased equipment was purchased on 1.1.2010 at Sh.2,500,000. It is the policy of the company to depreciate it on a straight line basis at the rate of 10%. The company revalued the buildings on 31st December 2012 to Sh.2,000,000. Determine the loss on revaluation at 31.12.2012. (8 Marks)