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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2012/2013 ACADEMIC YEAR
SECOND YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 24th April, 2013
Time: 9.00am – 11.00am

KAC 201 – INTERMEDIATE ACCOUNTING II

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) State at least the two sources of business finance in each of the following for an enterprise.
- i) Short term finances
 - ii) Medium terms finances
 - iii) Long term finances (6 Marks)
- b) Explain the followings terms as used in finances of a company
- i) Capital
 - ii) Share capital
 - iii) Authorized or registered capital (6 Marks)
- c) A company issues 300000 ordinary shares of Shs. 10 each. The subscribed capital is 200000 shares of 300 000 shares. Open the ledger accounts as at July 1 1998. (6 Marks)
- d) Explain the following terms;
- i) Balance sheet
 - ii) Operating leases
 - iii) Dividends (6 Marks)
- e) Company XYZ sold 1000 ordinary shares of par value Shs. 10 each on cash basis. 2/1/99 the company sold 5000 8% preferences shares of par value Shs. 5 each on cash basis. Required open the ledger account and post the above transaction. (6 Marks)

QUESTION TWO (20 MARKS)

The following trial balances was extracted from the books of PK CO. Ltd as at 31st Dec. 1998

	DR.	CR.
Sales		70000
Opening stock 1/1/98	12000	
Purchases	30000	
Carrige inwards	2000	
Returns outwards		4000
Rent expences	5000	
Audit fees	1000	
Electricity expences	2000	
Director salaries	4000	
Debentures interest	6000	
10% debentures		6000
Furniture	120000	
Office equipment	9000	
Ordinary shares capital		50000
10% preferences share capital		30000
cash	13000	
Debtors	10000	
Total	214000	214000

ADDITIONAL INFORMATION

1. Value of choosing stock Shs. 8000
2. Directors proposed to pay dividend to preference share holder
3. Directors proposed to pay dividend to ordinary share holders at the rate of 5%
4. Provide for corporation tax at a rate of 10% of the net profit

Required:

Using the vertical format prepare;

Trading and profit and loss and appropriation a/c for the year ended 31stDec. 1998.

(20 Marks)

QUESTION THREE (20 MARKS)

- a) State the differences between redeemable and irredeemable debentures. (4 Marks)
- b) On 1/1/1999 the company sold 1000 5% debentures of shs 10 each on cash basis, enter the double entries for the transaction. (6 Marks)

- c) Explain the following term;
- i) Subscribed capital
 - ii) Unsubscribed capital (4 Marks)
- d) A company issues 300000 ordinary shares of Shs. 10 each. The subscribed shares is 200000 shares out of 300 000 shares, enter the following in the ledger accounts (6 Marks)

QUESTION FOUR (20 MARKS)

- a) IDC ltd has an ordinary shares capital of 40000 ordinary shares of \$ 1 each and 20000 5% preferences shares of \$ 1 each.
- The net profit for the first three years of business ended 31 Dec. is
 20x4: \$10967, 20x5:\$ 14864, 20x6: \$ 15822
 Transfers to reserves are made as follows.
 20x4: Nil, 20x5: General expenses \$ 1000, 20x6: Fixed assets replacement reserves \$ 2250
 Corporation tax based on the net profits of each year is
 20x4: \$4100, 20x5: \$ 5250 , 20x6: \$6300
- Required: Prepare the IDC ltd profit and loss appropriation a/c for the first 3years (16 Marks)
- b) Differentiate between basic financial analysis and full disclosure. (4 Marks)

QUESTION FIVE (20 MARKS)

- a) Explain the following classes of shares and debentures;
- i) At par value
 - ii) At premium
 - iii) At a discount (6 Marks)
- b) A Ltd issued shares of Shs. 10 each at par on July 1 1997.
 Required;
 Show the relevant entries in the ledger accounts. (4 Marks)
- c) XY Ltd issued 50000 shares of Shs. 10 each at Shs. 13 on January 1/1997
 Required;
 Show the entries in the relevant ledger accounts. (5 Marks)
- d) C Ltd issued 10000 debentures of Shs. 100 each at Shs. 95, On October 1/ 1997.
 Show the relevant entries in the ledger account. (5 Marks)