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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2016/2017 ACADEMIC YEAR
SECOND YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)**

Date: 9th August, 2016.
Time: 5.30pm – 7.30pm

KAC 200 – INTERMEDIATE ACCOUNTING I

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Why does accounting need a conceptual framework? (5 Marks)
- b) How do companies value and report accounts receivable according to the accounting standard? (5 Marks)
- c) The following cashbook was extracted from ABC Ltd.

	Sh		Sh
Balance b/d	10,000	Payments to suppliers	16000
Receipts from debtors	150000	Payment for expenses	11000
Receipts from cash sales	210000	Purchase of fixed assets	80000
Proceeds on disposal of fixed assets	400000	Loans repaid	25000
Loans obtained	500000	Balance c/d	574,000
	<u>1,270,000</u>		<u>1,270,000</u>

You are required to draw up a cash flow statement. (15 Marks)

- d) What are the differences between depreciation and impairment of assets? (5 Marks)

QUESTION TWO (20 MARKS)

A cashier in a firm starts with Ksh2, 000 in the month of March (that is the cash float). In the following week, the following payments are made:

	Ksh
1 st March – bought stamps for	80
2 nd March – paid bus fare for	120
2 nd March – cleaning materials	240
3 rd March – bought fuel	150
3 rd March – cleaning wages	300
4 th March – bought stamps	200
4 th March – paid L. Thompson (creditor)	400
5 th March – fuel costs	150

On the 5th of March the cashier requested for a refund of the cash spent and this amount was reimbursed back.

Required:

Prepare a detailed petty cash book showing the balance to be carried forward to the next period and the relevant expense accounts, as they would appear on the General Ledger.

QUESTION THREE (20 MARKS)

The objective of IAS 1 is to give guidance regarding the preparation of published financial statements. From the following trial balance of Royal Ltd, you are asked to draw up an income statement by function for the year ended 31 March 2012.

	Dr	Cr
	Ksh	Ksh
Sales		16,8000
Purchases	99,995	
Inventory as at 1 April 2011	4,330	
Premises	75,000	
Equipment	18,500	
Carriage inwards	230	
Carriage outwards	195	
Returns inwards	375	
Bank	5,995	
Cash in hand	877	
Wages	9,500	
Insurance	750	
Advertising	205	
Motor repairs	590	
Capital		76,850
Drawings	11,540	
Returns outwards		560
Vehicles	12,000	
Accounts receivable	8,950	
Accounts payable		11,560
Sundries	328	
Rent	3,260	
Rates	4,350	
	<u>25,6970</u>	<u>25,6970</u>

QUESTION FOUR (20 MARKS)

a) Objectives of cash flow statements (CFS)?

(8 Marks)

b) Qualitative characteristics of useful financial information.

(12 marks)

QUESTION FIVE (20 MARKS)

- a) State and explain two methods used in cash control. (6 Marks)
- b) Write up a two-column cash book from the following data and balance it off at the end of the month.

Jan 1 Balances: Ksh45 Cash and Ksh54 at Bank
Jan 2 Sold goods for Ksh135 cash
Jan 3 Paid creditor R Perrin Ksh127 by cheque
Jan 5 Paid advertising expenses Ksh12 by cheque
Jan 8 Received cheque for rent received Ksh87
Jan 14 R Rigsby paid us cheque for Ksh89
Jan 17 Paid wages Ksh49 in cash
Jan 21 Withdrew Ksh76 in cash from bank
Jan 25 Paid creditor S McLean Ksh32 by cheque

(14 Marks)