



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

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

Date: 7th December, 2023
Time: 11.30am –1.30pm

KAC 201 - INTERMEDIATE ACCOUNTING 11

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Your uncle is in the process of establishing a new start up manufacturing business under a franchise. He has come across the terms dead rent and short workings. He is having challenges understanding the two. Discuss with him the usage and importance of the terms.. (5 Marks)
- b) Discuss the control systems required to be put in place by a head office in relation to its trading branches. (5 Marks)
- c) Sukari Ltd has an authorized nominal capital of Shs2, 000,000 divided into 200,000 ordinary shares of Shs10 each. The whole capital was issued on the following terms
- | | |
|-----------------------|------------------------|
| On application | 3.50 |
| On allotment | 4.50 including premium |
| First call | 2.50 |
| Second and final call | 2.00 |
- Applications were received for 270,000 shares. An application for 20000 was rejected and the monies refunded. The directors decided to allot balance of the shares on the basis of four for every five applied for. The balance of application monies was to be applied to the allotment. Applicants paid for the balance of the allotment monies as expected. Other calls were made and paid for in full with the exception of a member who failed to pay for the first and the second call on the 2000 shares allotted to him. A resolution was made by the directors to forfeit the shares. The shares were later issued to another person at Shs7 per share fully paid.
- Required.
- i) Application and allotment account. (4 Marks)
- ii) First call account. (2 Marks)
- iii) Second call account. (2 Marks)
- iv) Calls-in-arrears accounts. (3 Marks)
- v) Forfeited shares account (4 Marks)
- vi) Share premium account. (2 Marks)
- vii) OSC account. (3 Marks)

QUESTION TWO (20 MARKS)

Changarawe Mongers Ltd acquired the rights to remove gravel deposits from Land owned by J Farmer. The agreement provided for

- The payment of a royalty of Shs100 per ton of gravel extracted
- A minimum payment of Shs500000 per annum
- Recoupment rights for short workings to expire at the end of year 3.

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

<u>Period</u>	<u>Tons extracted</u>
Year 1	3000
Year 2	5000
Year 3	6000
Year 4	7000
Year 5	6000

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

Required

- Royalty account. (4Marks)
- Bank account. (4 Marks)
- Farmer account. (5 Marks)
- Short workings account. (3 Marks)
- Operations account. (4 Marks)

QUESTION THREE (20 MARKS)

- Differentiate between a rights issue, scrip dividend and stock split. (8 Marks)
- Power sharing Company Ltd had the following balance sheet as at 31 December 2021

	<u>2020</u> <u>Ksh '000'</u>	<u>2021</u> <u>ksh'000'</u>
Fixed assets at cost	23,000	25,000
Less Depreciation	<u>(5,650)</u>	<u>(6,200)</u>
	17,350	18,800
Stocks	12,000	14,695
Debtors	4,200	4,150
Cash at bank	<u>4,550</u>	<u>9,255</u>
	<u>38,100</u>	<u>46,900</u>
Share capital	18,000	23,000
Retained profits	7,500	9,200
10% Debentures	6,000	7,500
Provisions for taxation	2,900	3,200
Creditors	3,200	3,400
Proposed Dividends	<u>500</u>	<u>600</u>
	<u>38,100</u>	<u>46,900</u>

Additional information

During the year fixed assets were purchased at a cost of ksh5, 600,000

Fixed assets which cost ksh 3,600,000 were disposed off for ksh 2,500,000. The book value of the assets were ksh 1,500,000 and the profit has been included in retained profits.

Required;

Prepare a cash flow statement for the year ended 31/12/2021.

(12 Marks)

QUESTION FOUR (20 MARKS)

- a) Differentiate between a finance lease and hire purchase contract. (5 Marks)
- b) Kaimosi Retail Traders sold a music system to Karoney on 1st July 2017 on hire purchase under the following terms.
- Hire purchase price Shs400,000
 - Cash price Shs352,000
 - Deposit Shs80,000
 - Balance to be settled at the rate of Shs20, 000 per month for 16 months payable on the last day of the month. Kariach defaulted from 31st May 2018. The company henceforth went ahead and reprocessed the radio system. The system was revalued at Shs130, 000.

Required: Post

- i) Kariach account (6 Marks)
- ii) Interest account (4 Marks)
- iii) Sales account (2 Marks)
- iv) Repossessions account (3 Marks)

QUESTION FIVE(20 MARKS)

Yang Yu Ltd was awarded a contract to tarmac a road from Kahawa to Ruai on 1/7/2018 and was to be completed by mid-2021. The value of the contract was Kshs30, 000, 000. The following information was extracted from the accounting records of the company as at 30/06/2019.

	<u>Sh.</u>
Materials – issued from store	5896600
–delivered by a supplier to the site	1018000
Wages	4126000
Hire of plant	2103000
Direct expenses	306500
Overheads charged to contract	833000
Work certified	15000000
Payments received	13500000
Work not certified	1261300
Accrued wages end of period	282600
Materials on site end of period	1166000

Any payments by the contractee is subject to a retention of 10%.

Required

- a) Compute the profit to be taken to the P & L account. (3 Marks)
- b) Prepare a contract account to 30/6/2019 (7 Marks)
- c) Work in progress account (5 Marks)
- d) Relevant balance sheet extracts. (5 Marks)