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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: 10th August, 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 employer company has been awarded a contract to do a road from Ruiru to Githunguri. Discuss the unique issues that you are likely to encounter while accounting for the contract activities. (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	6.50 including premium
First call	2.50
Second and final call	2.50

Applications were received for 330,000 shares. An application for 30000 was rejected and the monies refunded. The directors decided to allot balance of the shares on the basis of two for every three 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 Shs8 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. (4 Marks)

- v) Share premium account. (2 Marks)
vi) OSC account. (3 Marks)
vii) Balance sheet at the end of the issue. (3 Marks)

QUESTION TWO (20 MARKS)

- a) Changarawe Mongers 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 Shs2000000 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	4000
Year 2	4800
Year 3	5400
Year4	5600

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

Required

- i) Royalty account. (4Marks)
ii) Bank account. (4 Marks)
iii) Farmer account. (5 Marks)
iv) Short workings account. (3 Marks)
v) Operations account. (4 Marks)

QUESTION THREE (20 MARKS)

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

	2020 <u>Ksh '000'</u>	2021 <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. Kariech 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) Kariech 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 following information was extracted from the accounting records of the company as at 30/06/2019.

	<u>Sh.</u>
Materials – issued from store	5,500,000
– by a supplier to the site	14,200,000
Labour	10,100,000
Sub-contracting fee	4,501,000
Plant and machinery bought on 1/7/2018	6,000,000
Tools & consumables	126,000
Head office expense – apportioned	1,184,000

On 30/6/2019 materials at site were valued at sh. 2,100,300. On the same day outstanding wages were sh. 350,000 and subcontract work sh. 25,000. The company received sh. 36,000,000 from the contractee which represents work certified as at 30/6/2019 after deducting 15% retention money. It is estimated that work costing sh.360, 000 is not covered by the certificate. The plant and machinery specifically purchased for the project is to be depreciated at 20% straight line with no residual value. The company only takes 2/3 of the profits on the work certified to its revenue account.

Required;

- a) Prepare a contract account to 30/6/2019 (10 Marks)
- b) Work in progress account (5 Marks)
- c) Relevant balance sheet extracts. (5 Marks)