


KISII UNIVERSITY
UNIVERSITY EXAMINATIONS
PART – TIME EXAMINATIONS
EXAMINATION FOR THE AWARD OF THE DEGREE OF
BACHELOR OF EDUCATION (ARTS)
LEVEL 1 BLOCK 2
SESSION EXAMINATION 2021/2022
[JULY, 2022]

BUST 211: INTERMEDIATE FINANCIAL ACCOUNTING

STREAM: L2 B2

TIME: 2 HOURS

DAY: MONDAY 1.30 PM – 3.30 PM

DATE: 5/07/2022

INSTRUCTIONS

- 1. Do not write anything on this question paper.**
- 2. Answer question ONE [COMPULSORY] and any other TWO questions.**

QUESTION ONE

- a) Discuss the following accounting concepts
 - i. The Going Concern Concept (2mks)
 - ii. Business Entity Concept (2mks)
 - iii. Materiality Concept (2mks)
 - iv. Prudence Concept (2mk)
- b) Outline four causes of depreciation (4mks)
- c) Computer Ltd was formed with the legal might to be able to issue 400, 000 shares of sh 4 each. However they actually issued 300, 000 of which none was fully paid. So far Computer Ltd has made calls of sh 3 per share. All shares have been paid by the shareholders except for sh 150, 000 shares whose shareholders have only paid sh 1 per share

Required;

Determine

- i. Authorized share capital
- ii. Issued share capital
- iii. Called up capital
- iv. Paid up capital

d) Profits of Suna Ltd for the last three years were:

19 by 6 sh 30, 000

19 by 7 sh 40, 000

19 by 8 sh 50, 000

Required:

Calculate the value of goodwill on the basis of 2 years purchase of average profits of last three years (4mks)

- e) ABC Ltd bought furniture worth sh 200000. The furniture was expected to last 8 years and would be disposed off for sh 40000 at the end of eight year. Show how depreciation to be allocated in each of the accounting period for the 8 years using the straight line method of depreciation. (4mks)
- f) Abdi and Jillo intend to start a business of selling cattle. Abdi contributes sh 100, 000 and Jillo sh 150, 000

Required:

Record these initial investments in the relevant accounts. (4mks)

g) Assume the following purchases were made in ABC Ltd

Date of purchases	Units purchased	Price per unit
1 st February	600	100
2 nd February	700	200
3 rd February	800	400

Units used on 4th February are 900

Required:

Determine the value of the closing stocks by use of weighted average Method (6mks)

QUESTION TWO

- a) Discuss three methods of valuing Inventory (6mks)
- b) Outline four reasons for stock taking (4mks)
- c) Briefly explain five reasons why a company would not wish to distribute all its profits to its shareholders. (10mks)
- d) State and explain two methods of calculating depreciation charges (4mks)
- e) Distinguish between reserves and share capital (6mks)

QUESTION THREE

- a) Suna traders had the following opening balance as the beginning of the year 2015 sh

Land and buildings (N.B.V)	200, 000
Furniture and fittings (N.B.V)	75, 000
Motor Vehicles (N.B.V)	120, 000
Cash in hand	7, 000
Debtors	42,000
Creditors	64, 000
Bank overdraft	78, 000
Long-term loan	50, 000
Stock	28, 000

The closing balances at the end of the year were as follows:

Sh

Land and buildings (N.B.V)	180, 000
Furniture and fittings (N.B.V)	70, 000
Motor Vehicles (N.B.V)	100, 000
Cash in hand	21, 000
Cash at bank	87,000
Debtors	96, 000
Creditors	72, 000
Long-term loan	40, 000
Stock	18, 000

Drawings made during the year amounted to sh 14, 200

Required:

Compute the profit for the year 2015 (12mks)

b)On 29th November 2015 there was a fire out break at the premises of Vincent enterprises.

The whole of his stock, purchases and sales journal all got burnt in the fire except for stock worth sh 24, 620 that was in the loading bay even though cleared in by the supplier. However the sales ledger were salvaged.

The following figures were available on 30th November 2015

- I. Stock at the last statement of financial position date 31st December 2014 Was sh 249, 600
- II. Receipts from debtors during the period to 29th November was sh634, 900

Debtors were sh285, 560 on 31st December 2014 and sh 246, 660 on 29th November 2015

- i. Payments to creditors during the period 1st January 15-29th November 15 was sh 345, 400. Creditors were sh152, 660 on 31st December 14 and sh125, 780, on 29th November 2015
- ii. The gross profit margin on all sales has been constant at 25%

All sales were made on credit and all purchases made on credit

Required:

Compute the amount of stock destroyed by fire on 29th November 2015 (8mks)

QUESTION FOUR

- a) During the year ended 31st December 2017 ABC company ltd redeemed 1000 sh 5 preference share at par

As at 31st December 2016 the statement of financial position revealed:

Sh

Other assets 13, 000

Bank 7, 000

Ordinary share capital 5,000

Redeemable preference share capital 5, 000

Statement of comprehensive income 7, 000

Creditors 3, 000

Required:

Prepare the statement of financial position as at 31st December 2017

- b) The following trial balance was extracted from the books of Suna Ltd, as at 31st December 2016:

Sh. '000'

Ordinary shares of sh 10 each 50.000

8% preference shares of sh 10 each 50. 000

7% debentures 100.000

Share premium 20.000

General reserves 65.000

Retained earnings (1 January 2016) 35 000

Land at cost 111.000

Plant and machinery at cost 382.000

Provision for depreciation – plant and machinery 85.500

Sales 290.000

Discounts allowed/ received 3.200 4. 600

Accounts receivable / payable 48.000 27. 000

Inventory (1 January 2016) 35. 000

Cash at bank 7. 500

Carriage inwards 1.000

Purchases 165.000

Salaries and wages 32. 100

Electricity 2. 900

Interests debentures 7.000

Directors fees 12. 000

Provision for bad and doubtful debts 1. 500

General expenses 11.900

Interim dividends paid ordinary 7. 500

Preference 2. 000

Suspense account_____ 400

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Additional information:

1. During the year, land was revalued to sh 180 million by the directors, the re valuation reserve arising from land revaluation was partly utilized to finance the issue of sh 1 bonus share for every 10 ordinary shares held
The bonus shares were issued to the existing ordinary shareholders on 29th December 2006 although no entry had been recorded in the books of Pata Ltd
2. Inventory as at 31st December 2006 was valued at sh 41 million
3. Corporation tax is estimated at sh 3 million while unpaid wages as at 31st December 200t amounted to sh 150 000.

4. General expenses include an insurance premium amounting to sh 200.000 for the period 1 April 200t to March 2006.
5. A machine which had cost 2 million was disposed of on 1 january 2016. The accumulated depreciation on disposal of the machine was sh 1.5 million. The cash received in respect of the sale was recorded in suspense account
6. A provision is to be made for bad and doubtful debts at the rate of 2 ½ % of the accounts receivable.
7. The company depreciates its plant and machinery on straight line basis at the rate of 1000% per annum.
8. The directors propose to pay a final ordinary dividend of 5% and also transfer for sh 5 million to general reserves.

Required:

Trading, statement of comprehensive income for the year ended 31st December 2016 (20mks)

QUESTION FIVE

- a) B. Onyango and G. Otieno are in partnership sharing profits and losses in the ratio of 3 : 2 respectively. During the year ended 31st December 2015, the net trading profit was sh 15, 500 and the partners drawings were:-

B. Onyango sh. 3, 200
G. Otieno sh. 2, 500

Interest is charged on partner capital at the rate of 5% p.a. No interest is charged on drawings . G. Otieno is entitled to a salary of sh h1, 500 p.a.

The balances on the partners accounts (all credit balances) at 1st January 2015 were:-

	CAPITAL A/C	CURRENT A/C
B. Onyango	sh 20, 000	sh 1, 570
G.Otieno	sh 15, 000	sh 890

Required:

- i. Profit and Loss appropriation account for the year ended 31st December.
- ii. Partner Current accounts for the year ended 31st December 2015. (20mks)