



MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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University Examinations 2011/2012

SECOND YEAR, FIRST SEMESTER EXAMINATIONS FOR THE DEGREE OF
BACHELOR OF COMMERCE.

HBC 2115: INTERMEDIATE ACCOUNTING I

DATE: APRIL 2012

TIME: 2 HOURS

INSTRUCTIONS: *Answer all questions*

QUESTION ONE (30 MARKS)

The following assets information was extracted from Geta Ltd on 1.4.2011.

<u>Assets</u>	<u>Value ksh.</u>
Short term investments	900,000
Land and buildings	15,000,000
Motor vehicles	1,000,000
Machineries	1,750,000
Furniture and fittings	250,000
Equipments	500,000
Goodwill	450,000
Patents	2,000,000
Copyright	540,000
Stocks	2,500,000
Bank	230,000
Deferred research and Development costs	460,000

Debtors	820,000
Software	1,240,000
Long term investment	<u>1,360,000</u>
	<u>29,000,000</u>

List and:

- a. Compute as at 1.4.2011
 - i. Company's value of non-current assets. (3 Marks)
 - ii. Company's value of current assets. (3 Marks)
 - iii. Company's value of tangible assets. (3 Marks)
 - iv. Company's value of intangible assets. (3 Marks)
- b. Highlight four reasons why organization should account and keep records of their assets. (4 Marks)
- c. Explain the following as used in accounting for assets
 - i. Real assets (2 Marks)
 - ii. Financial assets held to maturity (2 Marks)
 - iii. Useful economic life of an asset. (2 Marks)
 - iv. Amortization of assets (2 Marks)

QUESTION TWO (15 MARKS)

The trial balance of Zama Ltd as at 31.3.2011 showed the following related to its noncurrent assets and depreciation.

	<u>Sh.</u>	<u>Sh.</u>
Buildings	10,500,000	
Plant and machinery	4,205,000	
Motor vehicles	3,620,000	
Goodwill	2,000,000	
Patents	1,500,000	
Provision for depreciation 1.4.10		
Buildings		1,510,000
Plant and machinery		1,175,500
Motor vehicles		2,002,300

During the year, a motor vehicle which had cost sh.500, 000 and on which depreciation of sh. 3000, 000 had been charged was sold for sh.250, 000. The company depreciation/ amortization policy on assets is as follows:

Good will and patents 10% on cost.

Buildings 2% on cost

Plant and machinery 15% on reducing balance.

Motor vehicles 25% on cost.

Required:

- a. Company’s depreciation/ amortization account as at 31.3.2011. (7 Marks)
- b. Disposal account for year to 31.3.11 (3 Marks)
- c. Balance sheet ,assets section as at 31.3.011 (5 Marks)

QUESTION THREE (15 MARKS)

- a. Explain two causes of difference between balance as per bank statement and the balance as per the cash book (bank column) (2 Marks)
- b. The following information relates to the sales and purchases of product k, for the period January to May 2011, at Kega enterprises.

PURCHASES

SALES

Date	quantity <u>cartons</u>	amount <u>sh.</u>	Date	quantity <u>cartons</u>	amount <u>sh.</u>
2.1.11	200	100,000	15.2.11	400	300,000
8.2.11	400	200,800	25.4.11	600	480,000
15.3.11	600	300,600			
14.4.11	400	210,200	25.5.11	500	410,000
20.5.11	500	260,000			

The enterprise expenses for the period amounted to sh. 100,000.

Required:

- i. Determine the value of closing stock as at 31.5 .2011. using FIFO method (3 Marks)
- ii. Determine the net profit for the five months period ended 31st May 2011. (5 Marks)
- iii. Highlight likely challenges to be encountered when valuing closing stocks of a supermarket. (3 Marks)

QUESTION FOUR (12 MARKS)

On 1.9.2010 Mwema Ltd paid sh. 20,000,000 to Shah Brokers together with an order to purchase 200 sh.100, 000 bonds in Kakuzi ltd and in addition sh. 20,000 as brokerage fees

shah bought the bonds the same day. Kakuzi bonds were couponated at 10%, 5 year, interest payable semi annually, on 31. 8 and 28.2. Mwema Ltd closes their books on 31st December.

Other transactions

1. On 1.5.2011 Mwema Ltd sold 120, sh. 100,000 Kakuzi bonds at 104% plus accrued interest and paid sh. 30,000 as brokerage fees.
2. On 1.8.2011 Mwema Ltd sold the remaining 80 sh. 100,000 Kakuzi bonds at 102% plus the accrued interest paying sh. 20,000 as brokerage fees.

Required:

- a. Journal entries to record Mwema Ltd investment in Kakuzi bonds on 1.9.2010. (2 Marks)
- b. Journal entries to record interest upon closure of books on 31.12.2010. (2 Marks)
- c. Journal entries to record the first receipt of interest on 28.2.2011. (2 Marks)
- d. Compute the gains or losses realized on partial sales of (disposal) of short term investments in Kakuzi bonds on 1. 5.2011 and on 1.8.2011. (4 Marks)
- e. Journal entries to record the transactions in (iv) above. (2 Marks)