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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
SECOND YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 26th July, 2022
Time: 2.30pm –4.30pm

KAC 200 - INTERMEDIATE ACCOUNTING 1

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Discuss the reasons that would make an entrepreneur be willing to pay goodwill when acquiring a new business. **(6 Marks)**
- b) Differentiate between;
- i) Income statement and cashflow statement. **(3 Marks)**
- ii) Balance Sheet and statement of affairs **(3 Marks)**
- (6 Marks)**
- c) The following information was obtained from Kambiti (a farmer from Skuta) on his farming activities for the year ended 31 March 2015:

	Opening stock Shs.	Closing stock Shs.
Crops	30,000	37,500
Group crops	22,500	33,750
Seeds	15,000	18,750
Cattle	562,500	787,500
Cattle food	75,000	41,250
Poultry	67,500	101,250
Poultry food	7,500	15,000
Fish	15,000	24,000
Fertilizers	37,500	22,500
Purchases during the year:		
Poultry	112,500	
Seeds	11,250	
Cattle	300,000	
Fish	7,500	
Cattle food	105,000	
Fertilizers	26,250	
Poultry food	22,500	

Sales during the year:

Butter	
Milk	11,250
Eggs	67,500
Crops	97,500
Flowers	157,500
Fruits	11,250
Cattle	30,000
Poultry	270,000
Fish	105,000
Vegetables	45,000
	37,500

Expenses during the year:

Wages	176,250
Insurance	
Depreciation	11,250
Repairs	15,000
	9,000
Consumption of farm products by proprietor	Sh.
Butter	3,000
Milk	18,750
Eggs	3,750
Vegetables	4,500
Poultry	1,500
Fish	750
Fruits	2,250

Required:

From the information given above, prepare the following accounts for Kambiti for the year ended 31 March 2015:

- i) Fish account (4 Marks)
- ii) Crop account; (5 Marks)
- iii) Dairy account (4 Marks)
- iv) Poultry account (5 marks)

QUESTION TWO (20 MARKS)

- a) Differentiate between a rights issue, a scrip dividend and a stock split. (6 Marks)
- b) Discuss the key features of a not-for-profit making organisation? (5 Marks)
- c) Explain the meaning of the term accumulated fund? (2 Marks)
- d) Differentiate between
 - i) Balance sheet and statement of affairs. (3 marks)
 - ii) Income & Expenditure account and Receipts & Payment account. (4 marks)

QUESTION THREE (20 MARKS)

The following extracts were made from the accounts of Z-Corner Ltd for the year 2010.

1 st January 2010, Raw materials inventory	800,000
31 st December 2010: Raw materials inventory	1,050,000
1 st January 2010: Work in progress	350,000
31 st December 2010: Work in progress	420,000
Wages: Direct	3,960,000
Indirect	2,550,000
Purchases of raw materials	8,700,000
Fuel and power	990,000
Direct expenses	140,000
Lubricants	300,000
Carriage inwards on raw materials	200,000
Factory rent	720,000
Depreciation on factory plant and machinery	420,000
Internal transport expenses	180,000
Insurance of factory buildings and plant	150,000
General factory expenses	330,000

Required:

Prepare the manufacturing account for the year.

QUESTION FOUR (20 MARKS)

- a) Discuss the key features of farm accounting that makes them unique. (6 Marks)
- b) Maadzo and Sossion were in partnership sharing profits and losses equally. On 31st March 2018 they decided to dissolve the partnership. The balance sheet of the business on this date was as follows;

Buildings	80,000	Capital: Maadzo	200,000
Fixtures and fittings	85,000	Sossion	150,000
Debtors	280,000		
Bank	<u>180,000</u>	Creditors	<u>275,000</u>
	<u>625,000</u>		<u>625,000</u>

The Debtors realized Shs270000, the Buildings 40000 and the Fixtures & Fittings 95000. The expenses of the dissolution were Shs10000 and discounts totaling Shs20000 were received from creditors.

Required:

Prepare the relevant schedules/accounts showing the sharing of the proceeds.

(14 Marks)

QUESTION FIVE (20 MARKS)

- a) Discuss five causes of differences between the cash book balance and the bank statement balance. (6 Marks)
- b) Peter's Cash Book showed an overdraft of shs.10, 480 on 31st December 2021. On the same date, his Bank Statement showed a credit balance of shs.3, 800.

c)

On investigation the following was discovered;

- Cheques totaling shs.3, 060 returned by the bank as 'refer to Drawer' had not been entered in the cash book.
- Ledger fees shs.1, 800 and cheques book charges shs.240 debited by the bank have not been entered in the cash book.
- Cheques totaling shs.26, 100 received from debtors and deposited in the bank on 31st December 2021 were credited by the bank on 4th January 2022.
- Payment by cheques amounting to shs.49, 380 to creditors made during December 2021 were not reflected in the bank statement.
- Dividends amounting to sh.2, 100 were received and credited by the bank but no entry was made in the cash book.
- Three payments of sh.2, 000 each made by the bank as per standing order to his landlord have not been recorded in the cash book.

Required;

- i) Updated cash book as at 31st December 2021 (9 Marks)
- ii) Bank reconciliation Statement as at the same date. (5 Marks)