



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE BACHELOR OF BUSINESS**  
**ADMINISTRATION AND BACHELOR OF EDUCATION ARTS WITH IT**  
**2<sup>ND</sup> YEAR 1<sup>ST</sup> SEMESTER 2023/2024 ACADEMIC YEAR**  
**MAIN CAMPUS**

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**COURSE CODE: BAB 1205**

**COURSE TITLE: INTERMEDIATE ACCOUNTING 1**

**EXAM VENUE:**

**DATE:**

**DURATION: 2 HOURS.**

**INSTRUCTIONS**

- 1. Answer QUESTION ONE and any other TWO questions**
- 2. Show ALL your workings.**
- 3. Candidates are advised not to write on the question paper**
- 4. Marks allocated to each question are shown at the end of the question.**

### QUESTION ONE

- a) Distinguish between sales systems and stock systems in respect of accounting for hire purchase sales (4 marks)
- b) Write short notes on the following;
- i. Provision for unrealized profit of hire purchase sales (2 marks)
  - ii. Repossessions (2 marks)

d) Gioto traders are sellers of a commodity called Nugu. During the month of November 2023 their purchases and sales of Nugu were as given;

Date	Purchases		Sales	
	Units	Unit price shs.	Units	Unit price shs.
1-Nov	100	850		
5	120	750		
12			200	1,600
18	30	770		
22			20	1,400
Total	250		220	

#### Required:

- a) Prepare stock valuation card using;
- i) First in first out (FIFO) method (4 marks)
  - ii) Last in first out (LIFO) method (4 marks)
- b) Show the gross profit using the three cost – flow assumptions. (6 marks)
- c) Okello and Wasuna both connoisseurs of rare works of art decided to put their talents and skills on mutual commercial advantage and benefit. They therefore entered into a joint venture to purchase sell clay works, sharing the profit and loss in ratio of 3/5 and 2/5. They contributed shs 45,000 and shs 30,000 respectively for the joint venture business.

They recorded the following transactions during their operations;

		shs
7-Oct	Cash purchases	30,000
9	Purchased goods from Otiende	40,000 - on credit
19	Cash Sales	22,000
7-Nov	Sold on credit to Irene	18,000
10	Paid general expenses	2,000
1-Dec	Paid Otiende account in full settlement	37,000
20	Cash sales	30,000
21	Received cash from Irene	18,000

26	Sold more items, cash	32,000
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The venture was closed on 27 November 2023 and there remained a consignment of clay works valued shs 6,350 which the parties split as per the profit and loss sharing ratios.

Required:

- i. Joint venture account
- ii. Venturers capital account
- iii. Joint cash account (8 marks)

### QUESTION TWO

- a) Kuteleza Ltd. Was given the right to build blocks from a quarry owned by Jasho Ltd, with effect from 1 January 2018.

The terms of the agreement signed between the two companies were as follows: Kuteleza ltd. Was to pay Jasho a royalty of shs. 4,000 for each tonne of building blocks extracted, subject to a minimum payment of shs. 20,000,000 p.a.

If in any year the total quantity of building blocks extracted was less than 5,000 tons, Kuteleza ltd was to be allowed to recoup the deficiency against royalty's payable in excess of shs. 20,000,000 during the next two years.

Both Kuteleza and Jasho Ltd have financial year that end on 31 December and Kuteleza ltd agreed to settle the amount due to Jasho Ltd on the next 31 January following the financial year end.

During the first five years of agreement, Kuteleza ltd extracted the following quantities of building blocks.

Year to 31 December	Quantity in tons
2018	6,000
2019	4,000
2020	3,000
2021	5,500
2022	8,000

Required: The following ledger accounts in the books of Kuteleza ltd for each of the five years ended 31 December 2018, 2019, 2020, 2021 and 2022:

- i) Royalties account (5 marks)
- ii) Short workings account (5 marks)
- iii) Jasho Ltd account (10 marks)

**QUESTION THREE**

- a) The following balances were extracted from the books of Mkulima Ltd. As at 31 December 2022.

**Opening stocks:**

Maize	50,000
Seeds	5,000
Fertilizers	10,000

**Purchases:**

Seeds	9,000
Fertilizers	12,000

**Wages:**

Paid in cash	40,000
Paid in kind by giving maize	32,000
Sale of maize	250,000
Maize consumed by the farmer	13,000
Depreciation on farm machinery	15,000

**Closing stocks:**

Maize	35,000
Seeds	6,000
Fertilizers	8,000

**Required:** Prepare a crop account to determine the profit/loss from crop production. (12 marks)

- b) Explain Four characteristics of farm accounting (4 marks)
- c) Explain the accounting treatment of government grants in relation to a biological asset clearly explaining the meaning of a biological asset, carrying amount and fair value. (4 marks)

**QUESTION FOUR**

- a) Onyambu Ltd. Sold one motor vehicle on 1<sup>st</sup> July 2017 under hire purchase system on the following terms;

	sh.
Hire purchase price	400,000
Cash price	352,000
Deposit/down payment	80,000

16 monthly instalments of shs. 20,000 each payable on the last day of every month.

David failed to pay the instalment due on 31<sup>st</sup> May 2018 and he informed Onyambu Ltd that he was unable to proceed with the contract.

Onyambu Ltd subsequently obtained a court order and repossessed the motor vehicle which was valued at Sh. 130,000.

**Required:** Show the above entries in the books of Onyambu Ltd on the assumption that the company's financial year ends on 31<sup>st</sup> December each year. (12 marks)

- b) Nundu Ltd bought shs 240,000, 10% loan stock of Kutoka Ltd on 1 March 2022 at 90 cum int. interest is payable half yearly on 30<sup>th</sup> June and 31<sup>st</sup> December.

**Required:**

Show entries in Nundu Ltd's Ledger for the year 2022 (Ignore taxation ) (4 marks)

- c) Explain the meaning of memorandum joint venture account and explain the circumstances under which it is prepared (4 marks)

### QUESTION FIVE

- a) The PPE balances of Denticare limited as at 31<sup>st</sup> December 2021 were as follows;

	<b>cost sh.</b>	<b>Accumulated depreciation sh.</b>	<b>net book value sh.</b>
Freehold land and buildings	2,550,000		2,550,000
Plant and machinery	1,275,400	838,500	436,900
Motor vehicle	897,000	516,000	381,000
Furniture	725,000	332,000	393,000

The company uses straight line method of depreciation to depreciate PPE at the following rates.

- i. 15% per annum on plant and machinery
- ii. 10% per annum on vehicles
- iii. 20% per annum on furniture.

It is the company's policy to make a full year's charge in the year of purchase and no depreciation in the year of disposal.

The following additional information is relevant to the calculation of depreciation for the year to 31<sup>st</sup> December 2022.

- i. Freehold land and buildings were revalued by Kuteleza Registered Valuers at a surplus of sh 1,400,000
- ii. An item of machinery bought on January 2018 for sh 450,000 is now recognized to have a useful life of at least 16 years

- iii. A vehicle bought on 1<sup>st</sup> July 2018 for sh 550,000 was traded in at a value of sh 240,000 in part exchange for a new vehicle costing sh 600,000
- iv. Included with the furniture is an item which originally cost sh 300,000 and which is already fully depreciated and not expected to realise much from use or disposal.
- v. An item of plant bought in 2019 at the cost of sh 600,000 is disposed in the year at sh 450,000

**Required:** Prepare a schedule of Property, plant and equipment movements and balances for the year to 31<sup>ST</sup> December 2022 (12 marks)

- b) Explain the meaning of depreciation and distinguish between the Straight line, Reducing balance and Double declining balance methods of providing for depreciation using appropriate illustrations, justifying why land is not subjected to depreciation. **{Hint: Depreciate the assets up to year 3 under your illustrations to show the distinction}** (8 marks)