



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
2ND YEAR 1ST SEMESTER 2016/2017 ACADEMIC YEAR
MAIN CAMPUS- RESIT

COURSE CODE: ABA 210

COURSE TITLE: INTERMEDIATE ACCOUNTING II

EXAM VENUE: STREAM: (BBA)

DATE:04/05/16 EXAM SESSION: 11.30 – 1.30PM

TIME: 2 HOURS

Instructions:

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination**

Question One

Equity theories are fundamental concepts that shape the objectives and nature of operations of a business or an organization.

Discuss the theories in the context of the above statement.

- a. Proprietary theory
- b. Entity theory
- c. Enterprise theory
- d. Fund theory

(30 marks)

Question Two

Busia Ltd issued 20,000 ordinary shares of shs.5/= nominal value at shs.5.50 per shares payable as follows , on application shs.1.5 allotment shs.2.00, first and final call-including premium shs.2.00 applications were received for 24,000 shares and allotment of 20,000 shares made. Balance of a application money was transferred to allotment account. A shareholder who had paid for 400 shares on allotment was unable to pay first and final call and the shares were forfeited and re-issued at shs.4.50 per share.

Required:

Prepare all the ledger accounts for the transactions

(20 marks)

Question Three

TOM Barasa

Balance sheet

31/12/2015

	2015	2014
Fixed assets	47,000	30,000
Current Assets	(6000)	(4000)
Stocks	13,000	4,000
Debtors	2,000	1,000
Bank	1,000	11,000

Less creditors	(6,000)	(2,000)
	51,000	40,000
Financed by		
Capital	46,000	40,000
Loan	5,000	-
	51,000	40,000

The business made a profit of shs.6,000. Which is included in the capital. Fixed asset which cost shs.10,000 with book value shs.6,000 had been sold for shs.4,000

- Draw a cash flow statement for the business.
- What is the role of a cash flow statement to the management of the organization.

(20 marks)

Question Four

Works Ltd Constructed bridge at contract price of kshs.2,000,000.The contract had 10% retention on payments made on cash certified.

The following balances were in the books as at 31/12/2015 after 6 months of operation

	Sh.
Labour used	400,000
Materials purchased	800,000
Plant at cost	1,200,000
Other overheads	300,000
Work certified	1,700,000
Work in progress	340,000
Materials on site	40,000

The plant was subject to straight line depreciation with no residual value for 3 years

Required as at 31/12/2015

- Contract account

Balance sheet extract

(20 marks)

Question Five

The balance sheet of Omusang Ltd as at 31/12/2015 Kshs.

	2015	2014
Plant and machinery	400	400
Depreciation	(160)	(80)
	240	320
Current Asset		
Stocks	105	65
Debtors	50	30
Cash	70	25
	225	120
Current liabilities		
Trade creditors	(40)	(30)
Net current assets	185	90
10% loan stock	(100)	(100)
	325	310
Finaced by		
Ordinary shares	125	125
Loan stock	100	100
Reserves	185	170
Current cost reserve	15	15
	425	410

Profit & loss Account 31/12/2015

Sales	800
Opening stock	100
Purchases	500
Closing stock	(200)
Gross profit	400
Less depreciation	80
Other expenses	305
Net profit	15

Price index

plant index

Stock

Jan 2014	100	date of purchase	80
Decembe- 2014	105	December2014	100
Average 2014	110	December2015	120
December 2015	120	Debtors/ Creditors	
Average 2015	130	June 2014	110
		June 2015	200
		Average 2015	155

Required

- Current cost reserve
- Cost of sales adjustment
- Depreciation adjustment
- Monetary working capital adjustment
- Gearing adjustment percentage.

(20 marks)