



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

**UNIVERSITY EXAMINATION FOR BACHELOR OF ARTS IN BUSINESS
ADMINISTRATION WITH IT**

2ND YEAR 1ST SEMESTER 2018/2019 ACADEMIC YEAR

COURSE UNIT: ABA 203

COURSE TITLE: INTERMEDIATE ACCOUNTING I

END OF SEMESTER EXAM (SEPT –DEC 2018)

NAIROBI LEARNING CENTER

VENUE: 9TH FLOOR ROOM 2

DATE: 05 /12/2018

EXAM SESSION 9AM-11AM

TIME: 2 HOURS

Instructions

1. Answer question 1 (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 room.

SECTION A

Question One

- (a) Clearly state three methods of calculating Depreciation (3 marks)
- (b) Differentiate between hire purchase and a credit sale (4 marks)
- (c) Explain the main characteristics of a Joint Venture (3 marks)
- (d) Write short notes on the following;
 - (i) Royalty
 - (ii) Minimum rent
 - (iii) Short workings (6 marks)

(e) On 1st January 2015, Usafiri Transporters purchased three Lorries costing sh. 108,000 each. The useful life of these vehicles was estimated to be 5 years with a disposal value of shs. 8,000 for each vehicle.

The company's policy is to use straight-line method for depreciation.

One of the vehicles was damaged in an accident and was sold on 1st January 2015 for shs. 45,000.

Required:

Prepare the following accounts for year 2015, 2016 and 2017

- (i) Motor vehicles account (6 marks)
- (ii) Disposal account (2 marks)
- (iii) Provision for Depreciation account (6 marks)

SECTION B

Question Two

(a) Differentiate between cum-interest and ex-interest as used in investment accounting (4 marks)

(b) Puzzle Ltd bought 10,000 ordinary shares of shs1 each in Excel Ltd on 1st January 2009 at a cost of shs. 15,000. On 1st July, Excel Ltd announced a rights issue of two ordinary shares for every five held on that date at shs 1.25 per share. Puzzle Ltd took up 50% of the entitlement and sold the remaining 50% at shs. 0.60 per share.

Puzzle Ltd received a dividend of 20% on ordinary shares in Excel Ltd on 31st December 2009.

Required:

Record these transactions in the books of Puzzle Ltd for the year ended 31st December 2018. (16 marks)

Question Three

ABC Ltd holds the patent rights for a new type of electric heater. On first January 2014, ABC Ltd granted to XYZ Ltd a license to manufacture and sell heaters. The agreement provided that XYZ Ltd was to pay a royalty of sh 20 per heater sold subject to a minimum annual payment of shs.20,000 to be paid annually on 31st December. Any short workings could be set off against royalties in excess of the minimum in the next year but not afterwards.

The number of heaters sold was as follows:

<u>Year</u>	<u>No of Heaters</u>
2014	800
2015	1200
2016	900
2017	1300

Required:

Show the entries in the relevant accounts for the year 2014 to 2017 in the books of XYZ Ltd. (20 marks)

Question Four

Paul and Peter were partners in a joint venture sharing profits and losses in the ratio 3:2 respectively. Paul supplies goods worth shs 50,000 and incurs expenses amounting to shs 4,000. Peter supplies goods worth shs 40,000 incurring an expense of shs. 3,000. Peter sells goods on behalf of the joint venture and realizes shs 120,000. Peter settles his account by bank draft.

Required:

- (a) Joint venture accounts as they would appear in the books of Paul and Peter.
- (b) A memorandum joint venture account. (20 marks)

Question Five

The following is a trial balance of a farmer for the year ended 31st December 2017.

TRIAL BALANCE

	DEBIT	CREDIT
Opening stocks		
Livestock	305,000	
Paddy	20,000	
Cattle feed	14,000	
Fertilizers	11,000	
Land	500,000	
Tractor	180,000	
Purchases		
Livestock	58,000	
Fertilizers	12,000	
Seeds	6,000	
Cattle Feed	34,000	
Sales		
Milk		152,000
Paddy		263,000
Livestock		45,000
Crop Expenses		
Labour	36,000	
Other Direct Expenses	4,000	
Livestock Expenses		
Medicine	6,000	
Labour	36,000	
Dairy Expenses	8,000	
General Expenses	60,000	
Creditors		59,000
Cash in Hand and Bank	85,000	
Capital		856,000
	1,375,000	1,375,000

Additional information:

1. Closing stocks

Livestock 300,000

Paddy 15,000

