



JARAMOGI OGINGA ODIGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BUSINESS
ADMINISTRATION
2Nd YEAR 1ST SEMESTER 2016/2017 ACADEMIC YEAR
KISUMU CAMPUS

COURSE CODE: ABA 203

COURSE TITLE: INTERMEDIATE ACCOUNTING-I

EXAM VENUE;

STREAM: ACCOUNTING

DATE

EXAM SESSION:

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 room.**

Question one.

(a) What do you understand by the term Depreciation? What is the need for providing depreciation? Describe two methods of providing depreciation. Also explain the effects of depreciation on; (a) Profit and Loss Account and (b) Balance Sheet
(15 Marks)

(b) Pass Journal entries in the books of lessee when: (10 Marks)

- (i) Royalty is more than the minimum rent
- (ii) Royalty is less than minimum rent

(c) Differentiate between Joint Venture and Partnership (5 Marks)

Question Two

On 1st January 2010 Atul Glass Limited purchased a machine for Sh.52000 and spent Sh.3000 on its carriage and Sh.1000 on its erection. On the date of purchase, it was estimated that effective life of the machine will be 10 years and after 10 years its scrap value will be Sh.6000.

Required: Prepare Machine account and depreciation account for 4 years after providing depreciation on fixed instalment method. Accounts are closed on 31st December each year
(20 Marks)

Question Three

(a) On 3rd March 2014 Mwako Investment Ltd purchased Sh.80000 4% government stock at 92 plus brokerage Sh.3200. Interest is paid half yearly on 30th June and 31st December.

In 1st June Sh.45000 of the stock was sold at 94 ex-dividend, brokerage amounting to Sh.1900. The company prepares final accounts annually on 30th September

Required: Show the 4% Government stock investment account in the books of Mwako Ltd, (ignore taxation) (15 Marks)

(b) Explain the following in relation to investment accounting (5 Marks)

- (i) 'Cum div' Sale
- (ii) Ex div Purchase

Question Four

On 1st January 2011 Rasanga purchased a machine from Malindi Stores Ltd. On hire purchase system. The cash price of the machine was Sh.200000, Sh.80000 was paid on signing the agreement and the balance to be paid in three equal instalments of Sh.40000 plus interest. Interest was to be charged on outstanding balance at 12% per annum. Depreciation was at 10% per annum on written down value method.

Required: Prepare machinery account and hire vendor's account in the books of hire purchase **(20 Marks)**

Question five

(a) Write notes on the following; **(9 Marks)**

- (i) Minimum Rent
- (ii) Shortworking
- (iii) Sub-Lease

(b) Differentiate between hire-purchase system and credit sale **(6 Marks)**

(c) State five main causes of depreciation **(5 Marks)**