



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS AND ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE BACHELOR OF BUSINESS**  
**2<sup>ND</sup> YEAR 2<sup>ND</sup> SEMESTER 2024/2025 ACADEMIC YEAR**  
**MAIN CAMPUS**

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**COURSE CODE BAB 1208**

**COURSE TITLE INTERMEDIATE ACCOUNTING II**

**EXAM VENUE: LAB 14**

**DATE: 14/04/2025**

**EXAM SESSION: 9.00 – 11.00 AM**

**TIME: 2 HOURS**

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**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 booklets to the invigilator while in the examination room**

### QUESTION ONE

- a. List six features of Contract Accounts. (6 marks)
- b. What is meant by the term risk capital? (2 marks)
- c. Explain the procedure of preparing the payroll? (5 marks)
- d. What requirements are placed upon a company which issues shares at a discount. (5 marks)
- e. Mention SIX steps that can be taken to prevent wages frauds? (6 marks)
- f. State the aims and objectives of Current Cost Accounting CCA (6 marks)

### QUESTION TWO

- a) Explain the following terminologies as use in CPP accounting.
  - I. Monetary items
  - II. Non-Monetary item
  - III. Conversion (6 marks)
- b) Eagle Construction Company Ltd. Won the contract for building Bondo Industrial College at a cost of shs. 120 million. For the companys financial year ended31 March 2025, the data relating to the contract were as follows

	Shs.
Material issued to the site	21,500
Cost of labour engaged on contract	3,600
Plant purchased and installed	18,000
Direct expenditure	4,800
General management charges	1,750
Material returned to store	2,500
Work certified	25,000
Cost of work not certified	7,000
Stock of materials on site 31.3 2025	2,000
Wages accrued 31.3.2025	300
Value of plant on 31.3 2025	12,000

The company had received from the college, payments amounting to 20 million

### REQUIRED

Prepare the contract Account (14 marks)

### QUESTION THREE

The following is an extract of financial statements of Kisumu Ltd for 2023 and 2024.

Balance sheet as at 30 June 2024

	2023	2024
	Shs. 000	Shs.000
<b>Non-current assets.</b>	<u>72,500</u>	<u>75,000</u>
<b>Current Assets</b>		
Inventory	24,500	26,500
Receivables	34,000	36,500
Cash at bank	<u>1,250</u>	<u>2,250</u>
	<u>59,750</u>	<u>65,250</u>
	<u>132,250</u>	<u>140,250</u>
<b>Capital and reserves.</b>		
Issued share capital	50,000	50,050
Reserves	26,100	32,600
<b>Non-current liabilities.</b>		
Bank loan (10% )	20,000	21,500
<b>Current liabilities.</b>		
Trade payables	31,900	31,000
Taxation	2,250	2,950
Dividends	<u>2,000</u>	<u>2,150</u>
	<u>132,250</u>	<u>140,250</u>

### Profit and Loss Account for the year Ended 30 June 2024

	Shs. 000
Sales revenue	<u>195,000</u>
Profit from operations	<u>13,750</u>
Interest cost	(2,150)
Profit before taxation	<u>11,600</u>
Income tax expense	(2,950)
Profit after tax	8,650

Dividends	<u>(2,150)</u>
Net profit for the period	<u>6,500</u>

**Additional information.**

Depreciation charge for the year shs. 6,000,000

Non-current assets disposed during the year at 300,000 had an accumulated depreciation shs. 175, 000 and had cost shs. 500,000

**Required.**

A cash-flow statement for the year ended 30<sup>th</sup> June 2024 (20 marks)

**QUESTION FOUR**

- a) Explain the following terms.
  - i. Share premium
  - ii. Rights issue
  - iii. What is the importance of issuing bonus shares? (6 marks)
- b) XYZ Ltd issued 100,000 ordinary shares of 10 each payable as follows.

Application-	3
Allotment	5 (including premium sh 1)
Call	<u>3</u>
	<u>11</u>

Application were received for all the shares. Call money were received when due except

- I. Shareholders with 5,000 paid for calls together with allotment.
- II. A shareholder with 10,000 shares did not pay for the calls

The shares with arrears were forfeited but latter re-issued at a discount of 2%

**Required**

Pass the necessary journal entries. (14 marks)

**QUESTION FIVE**

- a) Enumerate the advantages of the Current Purchasing Power (CPP) as advanced by Professor Myddelton. (8 marks)
- b) Briefly explain some of the criticisms of Current Cost Accounting (CCA) (8 marks)
- c) Explain the FOUR features of the PAYE system (4 marks)