



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

SECOND SEMESTER

SPECIAL/SUPPLEMENTARY EXAMS

**FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION**

COURSE CODE: BBA 211

COURSE TITLE: INTERMEDIATE ACCOUNTING

DATE: 21st JULY, 2022

TIME: 11.00PM - 1.00PM

INSTRUCTIONS TO CANDIDATES

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B

2. Question **one** carries **30** marks and each of the other two questions carry **20** marks each.

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 5 Printed Pages. Please Turn Over.

QUESTION ONE

- a) Discuss five accounting concepts and their application in business (15mks)
- b) Distinguish between the cash accounting and the accrual basis of accounting (5mks)
- c) In the first year of operation, Usafi Ltd produced ksh 300,000 in total patient invoices for services performed in 2015. Ksh 250,000 was deposited in 2015 and ksh 10,000 of that deposited represented down payment and future dental procedures. In addition, the practice received ksh 200,000 in vender invoices for 2013 expenses. Kshs 190,000 was paid in 2015 of which kshs 80,000 represented prepayment of 2016 malpractice insurance.
- i. Use cash basis method for tax reporting (profit and loss and balance sheet) (5mks)
 - ii. Use the accrual basis method of reporting financial statements (5mks)
- b) Describe Five causes of depreciation (5mks)

QUESTION TWO

A company entered into the following transactions:

- 1st January 1999-bought plant costing 900
- 1st October 1999-bought plant costing 600
- 1st July 2001-bought plant costing 550
- 30th September 2002-sold plant which had been bought for 900 on 1st jan 1999 for the sum of 275.

The company depreciates its plant at the rate of 20%p.a on straight line method for each month of ownership. From 1999 to 2002,

Required:

- a. Plant account (5mrks)
 - b. Provision for Depreciation account (5mrks)
 - c. Disposal account (5mrks)
 - d. Extracts for the balance sheet at the end of each year from 1999 to 2002.(5mrks)
- (Total 20 Mrks)**

QUESTION THREE

Ushindi ltd started trading in the year 1999 when the balance on the debtors account was 400,000. Bad debts amounting to 40,000 were written off from this balance and there was a

specific provision of 5000 to be made on one of the debtors. A general provision of 5% was to be made on the balance of the debtors.

Show the ledger accounts to record the above transactions and a balance sheet extract as at 31st December 1999
(Total 20Mrks)

QUESTION FOUR

Fanaka Ltd has the following purchases and sales of inventory during the month of June.

<u>Units Purchased</u>	<u>Units Sold</u>
1 st -50 units at sh1	10 th -70 units
6 th - 50 units at shs1.1	30 th - 210 units
13 th 150 units at shs 1.2	
20 th – 100 units at shs 1.3	
25 th – 150 units at shs 1.4	

Units in ending inventory was 220 units

Show the stores ledger a/c using FIFO, LIFO and WAM. **(Total 20 Mrks)**

QUESTION FIVE

a) Distinguish between a finance lease and an operating lease **(4mks)**

b) B ltd entered into an agreement to lease a vehicle from Mltd. The cash price of the vehicle is shs10, 000. The lease payment is five installments of 2571 paid in arrears. The rate of interest is established at 9% while the rate of depreciation is at 20% on straight line method. Show the entries to be made in the books of the lessee in:

Lessor account	(3Mrkrs)
Finance charge account	(4Mrks)
Depreciation account	(3Mrks)
Motor vehicle account	(3 Mrks)
Balance sheet extracts	(3Mrks)

(Total 20 Mrks)