

LAIKIPIA



UNIVERSITY

UNIVERSITY EXAMINATIONS

1ST SEMESTER 2023/2024 ACADEMIC YEAR

SECOND YEAR EXAMINATION FOR THE DEGREE
OF BACHELOR OF COMMERCE

BCOM 213: INTERMEDIATE ACCOUNTING I

STREAM:

TIME: 2 HRS

DAY: FRIDAY [11.30-13.30 P.M]

DATE: 15/12/2023

THIS QUESTION PAPER CONSISTS OF FOUR (4) PAGES

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INSTRUCTIONS:

Answer questions one and any other two

QUESTION ONE (Compulsory, 30 Marks)

- a) In the context of the International Accounting Standards Board's Framework for the Preparation and Presentation of financial statements, identify and explain any four qualitative characteristics of financial statements. **(6 marks).**
- b) Explain the advantages of a conceptual framework of accounting principles. **(6 marks).**
- c) Explain the key valuation techniques by which current market values are established. **(6 marks).**
- d) The following transactions relate to Moba Company, for the month of February 2014.

Date	Purchases	Sold (Issued)
2/2/2014	1000 units @ Kshs 10	
5/2/2014	5000 units @ Kshs 12	
9/2/2014		3000 units
15/2/2014	4000 units @ Kshs 14	
20/2/2014		6000 units
24/2/2014		2000 units
26/2/2014		3000 units
28/2/2014	5000 units @ Kshs 13	

Required:

- a) The ending inventory as at the end of the month of February using FIFO **(10 marks).**
- b) The closing stock valuation. **(2 marks).**

QUESTION TWO

Explain the meaning of the following terms as used in IAS 7 (cash flow statement)

- a) Cash equivalents **(2 Marks)**
- b) Financing activities **(2 Marks)**



	30 September 2018		30 September 2019	
	Sh. '000'	Sh. '000'	Sh. '000'	Sh. '000'
Fixed assets				
Building at cost	11,040		13,800	
Accumulated depreciation at Cost	<u>(2,070)</u>	8,970	<u>(2,415)</u>	11,385
Plant and equipment at cost	13,800		23,460	
Accumulated depreciation on plant and equipment	<u>(6,210)</u>	7,590	<u>(8,625)</u>	14,835
Motor vehicles at cost	4,600		5,518	
Accumulated depreciation on motor vehicles	<u>(2,070)</u>	<u>2,530</u>	<u>(2,932)</u>	<u>2,586</u>
		19,090		28,806
Current assets				
Stock in trade	4,140		5,175	
Debtors	2,070		2,519	
Cash in hand and at bank	<u>850</u>		<u>-</u>	
	<u>7,060</u>		<u>7,694</u>	
Current liabilities				
Creditors	1,380		2,070	
Taxation	1,725		2,070	
Dividends	1,035		1,035	
Bank overdraft			345	
	<u>4,140</u>	<u>2,920</u>	<u>5,520</u>	<u>2,174</u>
		<u>22,010</u>		<u>30,980</u>
Financed by:				
Ordinary share capital		15,800		22,700
Share premium		1,380		2,760
Retained profits		3,450		5,520
10% debentures		<u>1,380</u>		
		<u>22,010</u>		<u>30,980</u>

The following is an extract from the profit and loss and appropriation account for the year ended 30 September 2019:

		Sh. '000'
Profit before taxation		6,210
Taxation for the year		<u>(2,415)</u>
		3,795
Dividends for the year:		
Interim – paid	690	
Final – proposed	<u>1,035</u>	<u>(1,725)</u>
Retained profit for the year		<u>2,070</u>

Additional information:

1. An item of plant was disposed of during the year ended 30 September 2019 for Sh. 1,035,000. It had cost Sh. 2,070,000 and had an accumulated depreciation of Sh. 690,000.
2. The 10% debentures were redeemed at a premium of 10% during the year ended 30 September 2019.



Required:

- c) Cash flow statement, in conformity with the requirements of IAS 7 (Cash Flow Statements), for the year ended 30 September 2019. **(16 Marks)**

QUESTION THREE

- a) In line with IAS 2, briefly define and comment on the following;
- i) Normal capacity. **(3 Marks)**
 - ii) Fixed and variable overhead **(3 Marks)**
 - iii) Excluded costs **(3 Marks)**
- b) JKL Company made a loan to WBC Company and received in exchange a 3-year Kshs.1,000,000 note bearing interest of 10% annually. The market rate of interest for a note of similar risk is 12%.

Required:

- i) The necessary calculations and recordings. **(5 Marks)**
- ii) The schedule of premium amortized and interest revenue recognised annually: **(6 Marks)**

QUESTION FOUR

An 80% subsidiary company of Chai Limited, the Kericho Tea Company Limited, incurred expenditure of Sh. 200 million in constructing a tea factory and farmworks over a 2 year period to 31 May 2000. These assets were used for the first time on 1 June 2000. They are depreciated in equal installments over their useful life of 20 years to a nil residual value.

On 31 May 2008, these assets were revalued at Sh. 360 million by HysonsTabenga and company, registered valuers. There was no change in the estimate of their useful life. The assets were depreciated in accordance with Kenya Accounting Standard No. 5. On 31 May 2012, the assets were again revalued; it was found that there had been a diminution in value of the assets to Sh. 160 million.

Required:

- a) Write the appropriate accounts in the books of the Kericho tea Company Limited from 1 June 2000 to 1 June 2012 in accordance with Kenyan Accounting Standard No. 17. **(8 marks)**
- b) (b) Show the entries in the Property, plant and equipment schedule for the year ended 31 May 2012 and in the Movement on Group Reserves for the year: these assets are included in the titled "Land, Development, Building and Farm-works." **(8 marks)**
- c) Describe the different classification of receivables. **(4 marks)**

