



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

MAY – JULY 2015 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

REGULAR PROGRAMME

CAD 081: INTERMEDIATE ACCOUNTING

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Date: JULY 2015	Duration: 2 Hours
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INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions
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- Q1. a) Distinguish between the following terms as used in Intermediate Accounting
- i) Bad debts and provision for doubtful debts **(4 marks)**
 - ii) Continuous inventory system and perpetual Inventory system **(4 marks)**
 - iii) Finance lease and operating lease **(4 marks)**
- b) The following information relates to term M 014 stocked by Ronga products Ltd for the month of June 2015.

Date	Receipts	Issues	Unit cost
June	Units	Units	(sh)
4	2,400		18
6		3,200	
7	2,600		20
12		2,700	

14	3,000	22
18	2,800	21
20		2,200
22	2,600	23
25		3,800
26	3,100	24
27	2,500	25
28	3,200	26
29		6,900

The closing Balance for May 2015 was a batch of 3,000 units received at a unit price of sh. 19

Required;

Stores perpetual inventory record for term M014 for June 2015 under FIFO system

(10 marks)

- c) Explain four major reports that are included as part of published financial statements. **(8 marks)**

- Q2. a) Undugu Corporation issued a bond with a coupon rate of 7%. and market interest rate of 8%. The bond has a par value of sh. 100,000 and interest is payable semi annually and only for three years. Calculate the value of the bond and prepare the appropriate amortization schedule for the bond **(10 marks)**

- b) Bidii Ltd started trading in the year 2013 the balance on the debtors account was sh. 400,000. Bad debts of sh. 40,000 were written off from this balance. These were a specific provision of sh. 5,000 to be made to ones of the debtors and a general provision of 5% was to be made on the balance of the debtors

Required; Prepare

- i) Debtors A/c **(3 marks)**

ii) Bad debts A/c (2 marks)

iii) Provision for doubtful debtors A/c (2 marks)

iv) Extract of statement of financial position (2 marks)

Q3. A) Explain three reasons why it is important to reconcile cash book balance with Bank statement (6 marks)

b) Jane's Cash book showed a credit balance of sh. 72,160 on 30th June 2014 whereas the bank statement showed a credit balance of sh. 45,680 on the same date. The following differences were discovered

i) Cheque totaling to sh. 122,900 were issued by Jane but did not appear in bank statement

ii) Cheque totaling to sh. 78,900 deposited on the last day of the month were credited by the bank on 5th July

iii) Bank charges for the month amounted to sh. 4,820

iv) The bank made payment of sh. 16,000 to Jane's landlord and another of sh. 4,000 for an insurance company as per standing order

v) A debtor remitted sh. 19,400 direct to Kariuki's account

Required: Prepare

i) Updated cash book (8 marks)

ii) Bank reconciliation statement (6 marks)

Q4. a) Mr. Charles is a sole trader who maintains a petty cash book using imprest system. The imprest being sh. 90,000. The following transactions took place during the month of March.

March	Sh.
1 petty cash in hand	17,400
2 petty cash restored	
5 paid wages	6,800

9 paid telephone	9,000
13 bought stationery	7,000
19 paid wages	5,800
19 paid wages	7,800
21 bought stamps	4,400
24 paid wages	8,000
26 paid George a creditor	5,400
30 Bought Envelopes	4,000

Required:

Write up a petty cash book with analysis column for wages, postage & telephone, stationery and ledger (10 marks)

- b) State five causes of Depreciation (5 marks)
- c) Identify five characteristics of liability (5 marks)

END