



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

**A. M. E. C. E. A**

**MAIN EXAMINATION**

**MAY – JULY 2016 TRIMESTER**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**REGULAR PROGRAMME**

**CAD 081: INTERMEDIATE ACCOUNTING**

P.O. Box 62157  
00200 Nairobi - KENYA  
Telephone: 891601-6  
Fax: 254-20-891084  
E-mail: academics@cuea.edu

**Date: JULY 2016**

**Duration: 2 Hours**

**INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions**

- Q1. a) State FIVE possible causes of differences between bank statement balance and cash book balance. **(5 marks)**
- b) The bank statement of Mr. Juma showed a balance of ksh 264,300 while the column of cash book showed a balance of ksh 247,500 as at 30/01/2016. On checking the records the following details were discovered.
- i Cheques drawn by Mr. Juma amounting to kshs 114,400 had not been presented to the bank
  - ii Cheques amounting to kshs 155,600 banked on 30<sup>th</sup> January 2016 were credited by the bank on 8<sup>th</sup> February 2016.
  - iii Bank charges amounting to Kshs 12,500 had not been posted in the cash book.
  - iv Standing orders of kshs 25,000 had been paid by the bank.
  - v The credit side of the cash book had been undercasted by kshs 9,000
  - vi Instructions to transfer kshs 150,000 from the savings account to the current had not been effected in the cash book.

- vii A cheque of kshs 18,500 banked on 28<sup>th</sup> January 2016 had been dishonored.
- viii A cheque of kshs 74,000 drawn by the firm had been posted as kshs 47,000 in the cash book.

Required

- i An updated cash book **(9 marks)**
  - ii Bank reconciliation statement **(5 marks)**
- c) Explain the meaning of the following terms as used in intermediate accounting
- i Marketable securities **(3 marks)**
  - ii Perpetual inventory system **(3 marks)**
  - iii Contingent liabilities **(3 marks)**
- Q2. a) The following transactions relate to material Xee for the month of June 2016.

Date June	Purchases	Issues	Cost per unit (kshs)
2	450	—	240
3	500	—	260
9	—	400	—
11	600	—	250
12	—	300	—
16	—	450	—
19	800	—	260
24	—	500	—
25	400	—	230

Prepare a store ledger card under FIFO method of stock variation **(10 marks)**

- b) Magic Traders operate a petty cash on imprest system. The monthly cash float is ksh 30,000. Reimbursement is done at the beginning of each month. The following transactions took place during the month of May 2016

May	Kshs
2 Postage stamps	1,500
5 staff bus fare	2,000
7 Motor vehicle repairs	1,200
10 Bonde, a supplier	7,600
12 Cleaning detergents	800
16 Photocopying papers	550
18 Postage stamps	700
20 Fuel for motor vehicles	1,600
24 Office chair	1,400
26 Messenger's bus fare	500

Prepare a petty cash book with analysis columns for travelling, motor expenses, cleaning, stationery, postage, general ledger. **(10 marks)**

- Q3. a) Uwezo corporation issues a bond with coupon rate of 8% and market interest rate 7% the bond has a par value of shs 2 million and interest is payable semiannually for three years. Calculate the value of the bond and prepare the appropriate amortization schedule for the bond. **(10 marks)**
- b) Mkubwa enterprises started business on 1<sup>st</sup> January 2012. The table below shows the accounts receivable, bad debts written off and estimated doubtful debts at rate 3% receivable at the end of each year.

Year	Bad debts written off (ksh)	Receivables (kshs)
2013	5,100	70,000
2014	6,040	77,000
2015	6,100	65,000

Prepare for the year 2013, 2014 and 2015

- i Bad debts account **(3 marks)**
  - ii Provision for doubtful debts account **(3 marks)**
  - iii Income statement extract account **(4 marks)**
- Q4. a) Differentiate between the following terms
- i Definitely determinable liabilities and estimated liabilities **(3 marks)**
  - ii Capital lease and operating lease **(3 marks)**
- b) State FOUR functions of cash budget **(4 marks)**
- c) State FOUR characteristics of a liability **(4 marks)**
- d) Explain THREE reports that are included as part of published financial statements. **(6 marks)**

**\*END\***