



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

AUGUST - DECEMBER 2016 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

REGULAR PROGRAMME

CAD 081: INTERMEDIATE ACCOUNTING

Date: DECEMBER 2016

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) On 1 May 2016, the petty cashier of Dama Ltd was given Ksh 200,000 by the cashier to pay employees workshop expenses. The following payments were made during the two day's workshop expenses;

2015 Ksh		2015 Ksh	
May 2 Pens	2,200	May 3 Mineral Water	11,000
Fruits Juices	24,000	Photocopying Papers	7,000
Detergents	1,300	Brooms	3,500
Notebooks	10,000	Speaker-Supervisor	35,000
Biscuits and cake	19,000	Cleaner's Wages	12,000
Speaker-HR Manager	40,000		

Prepare:

A petty cash book under imprest system with the following analysis columns;
Stationery, Refreshments, Facilitators, Cleaning. **(10 marks)**

- b) On 30th April 2016;the cashbook (bank column) of Pamoja Enterprises had a debit balance of Ksh 119,400 while the bank statement for the same period had a credit balance of Ksh 166,100.On comparison of the two statements the following discrepancies were revealed;
- i) Bank charges of Ksh 800 were reflected on the bank statement only.
 - ii) The following cheques had not yet been presented by the suppliers for payment; Chada limited Ksh 58,300 and Karen Traders Ksh 11,900.
 - iii) Dividends amounting to Ksh 6,200 received from Dala Ltd were deposited directly into the bank account.
 - iv) A standing order for rent of Ksh 45,000 had been honored by the bank.
 - v) Customers had made direct banking of Ksh 113,000
 - vi) A cheque of Ksh 21,500 from a customer was dishonored by the bank.
 - vii) A cheque of Ksh 75,400 received from Stopa Enterprises had been banked but had not been reflected.

Prepare;

- i) An updated cash book **(7 marks)**
- ii) A bank reconciliation Statement as at 30th April 2016 **(5 marks)**
- c) Explain four causes of depreciation of Non-Current assets in an organization **(8 marks)**

Q2. The following information relates to trade receivables which were extracted from the books of Tawi Ltd for year ended 30th June;

Year to 30 th June	Trade Receivables (Ksh)	Bad debts (10%)	Provision for doubtful debts (%)
2012	400,000	10	2
2013	660,000	10	2
2014	520,000	10	2
2015	580,000	10	2

Required;

- i) Bad debts account (6 marks)
- ii) Provision for doubtful debts (6 marks)
- iii) Income Statement extract (4 marks)
- iv) Statement of financial Position extract (4 marks)

Q3. a) The financial year of Chapo Traders ends on 31st December. The following information relates to the assets of the business.

On 1 January 2012, purchased machine A for Ksh 5, 000,0000.

On 1 July 2014, purchased machine B for Ksh 6,000,000

On 1 January 2015, machine A was sold for Ksh 700,000 in cash.

It is the policy of the firm to provide depreciation on machinery at 20% per annum on cost and to provide full year depreciation in the year of acquisition and none in the year of disposal.

Prepare;

- i) Machinery Account (4 marks)
- ii) A provision for depreciation on machinery account (4 marks)
- iii) Machinery disposal account (4marks)

b) With use of relevant examples, explain the meaning of the following terms as used in Intermediate Accounting;

- i) Definitely determinable liabilities (2 marks)
- ii) Marketable securities (2 marks)
- iii) Contingent liabilities (2 marks)
- iv) Operating lease (2 marks)

Q4. a) Pamoja Corporation issued a bond with a coupon rate of 8% and market interest rate of 9%.The bond has a par value of Ksh 1,500,000 and interest is payable semi-annually for two years. Calculate the value of bond and prepare an amortization schedule for the bond. (10 marks)

b) The following information relates to Uwezo stores for the month of April 2016;

Date	Purchases (Units)	Cost per Unit (Ksh)	Date	Sales (Units)	Selling price per unit (Ksh)
April 2	4,500	240	April 9	4,000	300
3	5,000	260	12	3,000	290
11	6,000	250	16	4,500	310
19	8,000	260	24	5,000	320
25	4,000	230	30	3,500	300

Required:

Prepare a store ledger card using FIFO method

(10 marks)

END