MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAINCAMPUS

SUPPLEMENTARY/ SPECIAL UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER EXAMINATIONS

FOR THE DEGREE OF

BACHELOR OF COMMERCE

COURSE CODE: HBC 2201

COURSE TITLE: INTERMEDIATE ACCOUNTING 1 TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer THREE (3) questions

MRUC observes Zero tolerance to examinations irregularities

This paper consists of 2 printed pages. Please turn over ▶

1a.Discuss the importance of the conceptual framework of accounting (5 Marks)

b. A mining company purchased a coal mine on Jan 1 2010 for sh2, 800,000. The estimated capacity of the mine is 1,750,000 tons of coal and the estimated salvage value is zero. The company incurred additional sh50,000 on development of mine for extraction purposes. They had extracted 210,000 tons of coal from the mine up to Jan 31, 2010 and sold all but 13,000 tons of the coal extracted from the mine, with in Jan 2010.

Required:

i. Calculate the depletion expense on the mine for the month ending Jan 31, 2010 (8 Marks)

ii. Show journal entries to record depletion expense (5 Marks)

c. Molimoto ltd owns a free hold building. The building is used by the company for its own operations and is therefore not to be treated as an investment property. As at Jan1 2013the company balances were as follows

land300,000

building :cost 150,000

depreciation(8years at 2%) 24,000 126,000

net book value 426,000

The building was revalued on the last day of the year as follows

Land sh 460,000

Building Sh180, 000

640,000

Required: calculate the deficit or surplus on revaluation (8 Marks)

d.Explain the accounting treatment of purchased goodwill (4 marks)

2. The following table relates to Madzo ltd for one month

Date	Transaction	Quantity in units	Cost in sh
Dec 1	Opening inventory	14000	15
Dec3	Purchases	2000	17
Dec 8	Sales	10000	
Dec 15	Purchases	12000	18
Dec 19	Purchases	4000	20
Dec 24	Sales	8000	
Dec 26	Sales	2000	
Dec 27	Purchases	4000	25
Dec 29	Sales	3500	

Required: Using last in first out method calculate cost of sales and closing inventory under

a. Periodic system
b. Perpetual inventory system (20 marks)

3a. Jased ltd sell their product offering 30 days credit to customers. Uncollectible amounts areestimated by accruing a monthly charge to bad debt expense at 3%of credit sales. At the end of the year the allowance for uncollectible account is adjusted on an ageing of accounts receivable. Thecompany began in 2012 with the following balancesin its accounts

Accounts receivable sh457,500

Allowance for uncollectible accounts sh 38,250

During the year, credit sales amounted to sh 1,950,000. Cash collected was 1,875,000.Actual write offs were sh 37,500. An ageing of accounts receivable indicates a required allowance of sh 45,000.

Required:

a. Calculate the balance in accounts receivable and uncollectible accounts at the end of 2012
b. Calculate the bad debt expense
c. Prepare journal entries for monthly accrual of bad debts, write off of receivables and bad debt expense (20 marks)

4a.Discuss the internal and external factors that provide evidence of impairment of an intangible asset (6 marks)

b. Explainthe characteristics of a finance lease (6 marks)
c. Explain the difference between depreciation and amortization of assets (8marks)