



**MURANGA UNIVERSITY COLLEGE**

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

**MAINCAMPUS**

**SPECIAL/SUPPLEMENTARY UNIVERSITY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

**SECOND YEAR SECOND SEMESTER EXAMINATIONS**

**FOR THE DEGREE OF**

**BACHELOR OF COMMERCE**

**COURSE CODE: HBC 2201**

**COURSE TITLE: INTERMEDIATE ACCOUNTING 1** TIME:

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**INSTRUCTIONS TO CANDIDATES**

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

MRUC observes Zero tolerance to examinations irregularities

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### Question Two

- a. Explain the advantages of factoring as source of finance(12marks)
- b. Describe the disclosure requirements of international accounting Standards on depreciation(8marks)

### Question Three

- a) .Explain any four types of intangible assets (12marks)
- b) .Distinguish between depreciation, amortization and depletion of assets (5marks)

### Question Four

Stejy Ltd had five inventory items on hand at the end of 2015.The estimated gross profit margin is 20%. The following are the selling prices and costs associated with the inventory items

Product	Cost	Replacement Cost	Selling price	Estimated disposal cost
V	100	110	200	30
W	200	180	240	40
X	160	140	170	40
Y	180	74	200	48
Z	190	184	220	48

Required:

Calculate the value of each item of inventory using lower of cost and market(LCM) (20marks)

### Question One

- a. The following table relates to purchases and sales of material wye for one month

Date	Transaction	Quantity in units	Cost in sh
July 1	Opening inventory	7000	20
July 3	Purchases	4500	25
July 8	Sales	10000	
July 15	Purchases	12000	28
July 19	Purchases	4000	26
July 24	Sales	8000	
July 27	Purchases	4000	30
July 29	Sales	8500	
July	Purchases	6500	29

Required: Using LIFO method calculate cost of sales and closing inventory under

- i. Periodic system (6 marks)
- ii. Perpetual inventory system (8 marks)

b.. Julstltd purchased an existing factory for a single sum of sh 6,000,000. An independent valuation of the assets was as follows:

Land	2,400,000
Buildings	2,250,000
Machinery	1,500,000
Equipment	1,600,000
Lorry	1,500,000

Required:

Allocate the lump sum price to each item (6marks)

- a. Explain the characteristics of an operating lease (6marks)

d.Explain the circumstances under which goodwill can be recorded in Company books (6marks)