



The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER -2018

**EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE
BUSINESS
(YR II SEM I)**

UNIT CODE: HCOB 2203

UNIT TITLE: INTERMEDIATE ACCOUNTING I

DATE: 10TH DECEMBER, 2018

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- (a) What is a conceptual framework and what are the advantages and disadvantages of a conceptual framework. **(4 marks)**
- (b) What is the purpose of preparing a bank reconciliation statement **(3 marks)**
- (c) The following is the bank statement of Kakamega Retail Traders for the month of October, 2017.

Date 2017	Particulars	Debit Sh.	Credit Sh.	Balance Sh.
October 1	Balance b/d			365,875
2	Cheque no.63	31,000		334,875
2	Cheque no.67	3,548		400,327
2	Cheque no.66	13,000		331,327
2	Deposit		82,000	318,327
4	Cheque no.69	6,000		394,327
4	Cheque no.68	3,115		391,212
4	Cheque no.64	51,000		340,212
4	Deposit		7,280	347,492
7	Cheque no.70	7,000		340,492
7	Cheque no.71	51,500		288,992
7	Deposit		36,100	325,092
8	Cheque no.66	9,000		316,092
8	Deposit		28,000	344,092
9	Cheque no.72	1,330		342,762
9	Cheque no.73	6,250		336,512
9	Deposit		51,000	387,512
15	Cheque no.74	2,800		384,712
15	Deposit		20,560	405,272
16	Cheque no.75	65,000		340,272
16	Deposit		18,014	358,286
17	Deposit		34,500	392,786
19	Cheque no.76	8,500		384,286
19	Deposit		42,750	427,036
21	Cheque no.79	2,410		424,626
21	Cheque no.77	12,506		412,120
21	Cheque no.78	4,000		408,120
21	Cheque no.81	6,500		401,620
21	Deposit		9,000	410,620

23	Cheque no.82	16,240		394,380
23	Deposit		63,000	457,380
26	Cheque no.84	1,500		455,880
26	Dividends		8,750	464,630
26	Deposit		62,500	527,130
28	Cheque no.88	35,500		491,630
28	Standing order (insurance)	10,400		481,230
28	Cheque no.85	27,000		454,230
28	Cheque no.87	22,500		431,730
28	Deposit		13,025	444,755
31	Service charge	750		444,005
31	Deposit		28,050	472,055

The following is the bank column of the cashbook

Date	Particulars	Debit Sh.	Date 2017	Particulars	Credit Sh.
2017					
October 1	Balance b/d	365,875	October 1	Cheque no.65	13,000
1	Deposited at bank	7,280	1	Cheque no.66	9,000
3	Deposited at bank	36,100	1	Cheque no.67	3,548
5		28,000	2	Cheque no.68	3,115
8		51,000	4	Cheque no.69	6,000
10		20,560	5	Cheque no.70	7,000
15		18,014	5	Cheque no.71	51,500
15		34,500	7	Cheque no.72	1,330
17		42,750	8	Cheque no.73	6,250
19		15,700	10	Cheque no.74	2,800
19		9,000	11	Cheque no.75	65,000
22		36,000	15	Cheque no.76	5,800
24		26,500	18	Cheque no.77	12,506
27		13,025	19	Cheque no.78	4,000
28		28,050	19	Cheque no.79	2,410
29		171,010	19	Cheque no.80	3,860
31		31,525	19	Cheque no.81	6,500
			22	Cheque no.82	16,240
			23	Cheque no.83	15,000
			26	Cheque no.84	1,500
			28	Cheque no.85	27,000
			28	Cheque no.86	10,520
			28	Cheque no.87	22,500
			28	Cheque no.88	53,500
			30	Cheque no.89	2,500
			31	Cheque no.90	64,529
			31	Cheque no.91	15,500
			31	Balance c/d	<u>502,481</u>
		<u>934,889</u>			<u>934,889</u>

Additional information

- The bank reconciliation on 30th September, 2017 showed that one deposit was in transit and two cheques had not yet been presented to the bank
- Deposits of sh.62, 500 and sh.36, 000 had been entered in the cash book as sh.26, 500 and sh.36, 000 and in the bank statement as sh.62, 500 and sh.63, 000 respectively.

- iii. A cheque from Mkulima for sh.15, 700 was deposited on 18th October 2017 but was dishonoured and the advice was received on 4th November, 2017.
- iv. Counterfoils for cheques no. 76 and no. 88 showed they had been drawn for sh.5, 800 and sh.35, 500 respectively

Required:

1. A correct cashbook balance (8 marks)
2. A bank reconciliation statement on 31st October, 2017 (5 marks)

QUESTION TWO

The chief accountant of Jitegemea Ltd has encountered difficulties while accounting for fixed assets and the related depreciation in the company's draft accounts for the year ended 30th April 2016. He has decided to seek your professional advice and presented the following balances of fixed assets as at 1st May, 2015.

	Acquisition Cost Sh.	Accumulated Depreciation Sh.	Depreciation Rates %
Furniture	900,000	300,000	12.5
Trucks	3,525,000	1,470,000	25
Plant and machinery	7,387,500	4,462,500	10
Land	2,775,000	-	Nil
Buildings	2,925,000	292,500	2.5

The following additional information was also available

- i. It is the company's policy to write off cost of the assets using above percentages on cost
- ii. Depreciation is fully charged in the year of acquisition and none in the year of disposal
- iii. A three year old machine acquired for sh.187, 500 was sold for sh.15, 750
- iv. It has been decided to adjust and charge depreciation on buildings at 4%
- v. A used delivery truck purchased three years ago for sh.248, 250 was traded in during the year at a value of sh.157, 500 in part exchange of the new delivery truck costing sh.450, 000.
- vi. Land, buildings and machinery were acquired for sh.1, 350, 000 from a company that went out of business. At the time of acquisition sh.90, 000 was paid to have the assets revalued by a professionally qualified valuer. The revaluation indicated the following market values

	Sh.
Land	900,000
Buildings	600,000
Machinery	300,000

Required:

A schedule of movement of fixed assets as requested by the Chief Accountant for inclusion in the company's accounts for the year ended 30th April, 2016 (15 marks)

QUESTION THREE

The following information is provided relating to the carrying amount of the assets comprising the cash generating units of Alexo Ltd as at 30th September, 2009

	Cash generating unit No.1 Sh.	Cash generating unit No.2
Good will	26,000,000	25,000,000
Tangible fixed assets	22,000,000	107,000,000
Inventories		23,000,000

The accountants of Alexo Ltd have prepared the following cash forecasts relating to the business operations of the two cash generating units

Year	Cash generating unit No.1	Cash generating unit No.2
	Cash flow	Cash flow
1	8,000,000	20,000,000
2	6,000,000	22,000,000
3	9,000,000	27,000,000
4	10,000,000	24,000,000
5	11,000,000	15,000,000
6	12,000,000	30,000,000

The net realizable value of the assets of cash generating unit No.1 is sh.50 million and that of the assets of cash generating unit No.2 is sh.70 million. The discount rate appropriate to the activities to the activities of cash generating unit No.1 is 10% and that of cash generating unit No.2 is 12%

Required:

- Recoverable amount of cash generating unit No.1 and cash generating unit No.2 (8 marks)
- The impairment loss, if any, for cash generating unit No.1 and cash generating unit No.2 (4 marks)
- Allocate the impairment loss, if any between the assets of cash generating and unit No.1 and cash generating unit No.2 (3 marks)

QUESTION FOUR

- Remmers Company manufactures desks. Most of the company's desks are standard models and are sold on the basis of catalogue prices. At May 31, 2018, the following finished desks appear in the company's inventory

Finished desks	A	B	C	D
Catalogue selling price	500	540	900	1,200
FIFO cost per inventory list 31/05/2018 sh.600				
Estimated cost to complete and sell sh.000				

- At what amount should the desks appear in the company's May 31, 2018 (5 marks)
- A business started trading on 1st January 2016. During the two years ended 31st December 2016 and 2017 the following debts were written off to the bad debts Account on the dates stated.

31 st August	W Best	Sh.850
30 th September 2016	S Avon	Sh.1,400
February 2017	LJ Friend	Sh.1,800
August 2017	N Kelly	Sh.600
November 2017	A Oliver	Sh.2,500

On 31st December 2016 there had been a total of debtors remaining of sh.405, 000. It was decided to make a provision for doubtful debts of sh.5, 500

On 31st December 2017 there had been a total of debtors remaining of sh.473, 000. It was decided to make a provision for doubtful debts of sh.6, 000.

Required:

- The bad debts account and the provision for doubtful debts account for each of the two years (6 marks)
- The relevant extracts from the statement of financial position at 31st December 2016 and 2017 (4 marks)