
CHUKA



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**EXAMINATION FOR THE AWARD DEGREE OF
BACHELOR OF COMMERCE / BACHELOR OF COMMERCE**

BCOM 213 : INTERMEDIATE ACCOUNTING II - ODEL

STREAMS: BCOM

TIME: 2 HOURS

DAY/DATE: THURSDAY 9/04/2020

8.30 A.M - 10.30 A.M.

INSTRUCTIONS

QUESTION ONE

- a) Using illustrations, describe a liability highlighting its main features. [6 Marks]

- b) Using examples, distinguish between capital reserves and revenue reserves.[6 Marks]

- c) An entity had estimated that during the year ended 2018, the corporation tax payable was Sh.1000,000 and this amount remained unpaid as at 31 December 2018. On 30 June 2019 the company agrees with the tax authorities on the amount due and this is paid on the same date. Mean while during the year ended 31 December 2019, the firm estimates that the corporation tax payable for the year as sh.1,200,000. The company had made installment tax payments for year 2019 for sh. 800,000. Assume that the actual tax liability for 2018 agreed with the tax authority was Sh.1.1 million.

Required

The current tax payable account for the year 2018 and 2019.

[6 Marks]

- d) ABC Limited issued one million ordinary shares (par value Sh.1.00 each) on 1st Jan 2018 at an issue price of Sh.1.50 per share. The issue costs amounted to Sh.150,000. The

issued shares started trading on a local securities exchange on 1st February at Sh.2 per share. On 31st December 2018, the shares were trading at Sh.5.00 per share.

Required:

Journal entries to recognize issue of the shares and subsequent measurement as at year end. [6 Marks]

- e) Describe any four components of a complete set of published financial statements of a company. [6 Marks]

QUESTION TWO

- a) Using an illustration, different between bonus issue and rights issue. [4 Marks]
- b) Raha limited raises finance by issuing Sh.10 million 6% two –year debenture on 1st January 2019. The debenture will be redeemed at the end of two years. The effective rate of interest in the market is 12%.

Required:

Explain how the bond is classified and show the journal entry in the books of Raha Ltd on 1st January 2019 and subsequent measure at the end of the year. [6 Marks]

- c) The following information was extracted from the records of the Real Ltd.
1. On 1st January 2020, the company had an issued and outstanding share capital of 300, 000 ordinary shares of Sh. 20 each.
 2. On 1st April 2020, the company made a rights issue of one fully paid share at Sh.60 for every 3 ordinary shares held when the shares were trading at Sh.84 each.
 3. On 1st October 2020, the company issued 200,000 ordinary shares at the market price.
 4. The company reported profit after tax of Sh. 800,000 for the year ended 31st December 2020.

Required:

Earnings per share for the year ended 31st December, 2020.

QUESTION THREE

- a) Using an illustration, describe provisions and explain the criteria adopted in the recognition of provisions. [6 Marks]
- b) The following balances and information are relevant as at 31st December 2019.

Non – Current Assets	Carrying value
Land	200,000
Property, plant and equipment	100,000
Current Assets	
Inventory	55,000
Receivable	73,000

Additional information :

1. Land has not been revalued and is not subject to depreciation under IFRS nor under any local tax rules.
2. The tax base for Property, plant and equipment is Sh.90,000
3. A general inventory write down of Sh.5,000 was made as at the year end.
4. The trade receivables balance in the accounts is made up of the following amounts:

Gross Receivables	80,000
Less Specific Provisions	<u>(7,000)</u>
	<u>73,000</u>

5. The balance on the deferred tax account on 1st January 2019 was Sh.3,600

Required:

- i) The tax base for each item listed and then the temporary difference. [8 Marks]
- ii) The deferred tax account showing the provision for the year end. [6 Marks]

Required:

- a. The statement of comprehensive income for the year ended 30 September 2019. [10 Marks]
 - b. The statement of changes in equity as at 30 September 2019. [3 Marks]
 - c. The statement of financial position as at 30 September 2019. [7 Marks]
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