GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS

JANUARY-APRIL 2026 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCAC 200

COURSE TITLE: INTERMEDIATE ACCOUNTING 1

DATE: APRIL 2026 **TIME: 2 HOURS**

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY.**
2. SECTION B: ANSWER ANY OTHER **TWO** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: *All exam rooms are under CCTV surveillance during the examination period.*

SECTION A: COMPULSORY

Question One

a) Discuss five Generally Accepted Accounting Principles. **[10 Marks]**

b) Explain cash equivalent and explain three characteristics of cash equivalent **[8 Marks]**

c) Define intangible assets and provide three examples **[2 Marks]**

d) Give two differences between cash and profit **[4 Marks]**

e) Explain three advantages of factoring transaction. **[6 Marks]**

SECTION B: ANSWER ANY TWO QUESTIONS

Question Two

a) ABC, a limited liability company, is preparing its statement of cash flows for the year ended 31 May 2024. It presents the following financial statements.

Balance sheet as at May	(sh.000)	
	2024	2023
Non-current assets at cost	65,251	53,525
Accumulated depreciation	(14,798)	(12,509)
	50,453	41,016
Current assets		
Inventory	16,503	14,563
Trade receivables	6,214	8,664
Bank	595	536
Total assets	**73,765**	**64,779**

Equity and liabilities

Sh.1 Ordinary share capital	21,000	17,000
Share premium	7,892	6,425
Revaluation reserve	7,454	4,090
Retained earnings	19,979	18,190
9% 5 year loan notes	6,734	8,825
Trade payables	9,505	8,951
Taxation	1,201	1,296
Total equity and liabilities	**73,765**	**64,779**

Income statement for the year ended 31 May 2024 (sh. '000')

Sales revenue	28,775
Cost of sales	(14,821)
Gross profit	13,954
Distribution costs	(4,908)
Administrative expenses	(3,410)
Profit from operations	5,636
Interest received	57
Finance cost	(794)
Profits before tax	4,899
Taxation	(1,570)
Profit for the period	**3,329**

Additional information

Dividends paid during the year were Sh. 1,540,000.

There were no amounts outstanding in respect of interest payable or receivable as at either year-end

Total depreciation for the year was Sh. 2,487,000.

The only revaluation of non-current assets was of a piece of freehold land

During the year, the company sold equipment for Sh. 766,000 realizing a profit of Sh. 66,000

Required: Prepare a cash flow statement for ABC for the year ended 31 May 2024 **[20 Marks]**

Question three

i) ABC Ltd purchased equipment on 1.1.2020 at Sh.2,500,000. It is the policy of the company to depreciate it on a straight-line basis over 2 years. The company revalued the buildings on 31st December 2022 to Sh.2,000,000. Determine the loss on revaluation at 31.12.2022.

[5 Marks]

ii) Chinaman Ltd is a construction company that prepares its financial statements for 31 December each year. During the year ended 31 December 2022, the company commenced a contract that is expected to take more than one year to complete. The contract summary at 31 December 2022 is as follows;

Progress payments 2,590,000

Contract price 5,061,600

Work certified complete 3,392,900

Contract costs incurred to 31.12.2022 3,996,000

Estimated total cost at 31.12.2022 4,662,000

The agreed value of the work completed at 31 December 2022 is considered to be equal to the revenue earned in the year ended 31 December 2022. The percentage of completion is calculated as the value of the work invoiced to date compared to the contract price.

Required:

i. Calculate the effect of the above contract on the financial statements on 31 December 2022. **[5 Marks]**

ii. Explain five characteristics of long-term contracts **[10 Marks]**

Question Four

a. Factoring is a financial transaction whereby a business sells its accounts receivable to a third party (called a factor) at a discount in exchange for immediate money with which to finance continued business Explain five advantages and disadvantages of factoring **[10 Marks]**

b. ABC Ltd buys a factory machine at Sh. 10,000,000 including the purchase price and all other capitalizable costs like installation, freight, taxes, commissions, and borrowing costs. The most conservative estimates indicate that the plant facility would be useful for 5 years a time over which it is expected to churn out an output equivalent to 100,000,000 units. At the end of the useful life, it is expected to have a salvage value of Sh. 2,000,000 after considering all incidental costs of disposal.

Required:

Prepare depreciation schedules based on straight line methods **[10 Marks]**

Question 5

a) ABC Limited had 400 units of inventory on 31.12.23 each valued at Sh.19. The following subsequent sales and purchases were made in the course of the year ending 31.12.24.

Date	Units purchased	Units sold	Price per unit
1 January	2000	-	20
1 february	1,600	-	22
1 March	400	-	25
1 April	-	2.400	40
6 April	1,200	-	23
7 May	-	800	40
14 December	-	400	40

Required:

i. Calculate the value of stock to be included in the balance sheet under the FIFO method of inventory valuation **[8 Marks]**

ii. Calculate the value of the stock to be included in the balance sheet under the Weighted Average method of inventory valuation **[5 Marks]**

iii. Show how these would be represented in an income statement **[7 Marks]**