



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY-APRIL 2025 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCAC 201

COURSE TITLE: INTERMEDIATE ACCOUNTING 2

DATE: 2025

TIME: AM

INSTRUCTIONS TO CANDIDATES

- a) SECTION A IS **COMPULSORY**.
- b) SECTION B: ANSWER ANY OTHER **TWO** QUESTIONS.
- c) **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
- d) 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) Distinguish between a serial bond and an income bond [8 marks]
- b) Valley Side Farm issued Sh. 20,000,000, 8% bonds on March 1, 2006 to mature in five years. Interest is payable semi-annually on July 1 and January 1. The effective interest rate is 10%,

Required:

- i) Calculate the total proceeds on the sale of the bonds on May 1, 2006 [6 marks]
- ii) Show the journal entries to record the sale of the bonds on May,2006 [8 marks]
- iii. Show the journal entry to record payment of the bond interest on 1st July, 2006.[8 marks]

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

International accounting standards (IAS) are common set of principles, standards, and procedures that define the basis of financial accounting policies and practices. Discuss the following international accounting standards.

- i) IAS 2 Inventories [4 Marks]
- ii) IAS 12 Income Taxes [4 Marks]
- iii) IAS 16 Property, Plant & Equipment [4 Marks]
- iv) IAS 18 Revenue [4 Marks]
- v) IAS 23 Borrowing Costs [4 Marks]
- vi)

Question three

- a) Discuss four characteristics of a capital lease [4 marks]
- b) On 1st January 2013, Lombok Company Limited a lessor company entered into agreement with Borrow Company Limited the lessee for three years. The economic life of the equipment was also three years. The fair value of the equipment was Kshs. 45,000,000 and it was the carrying

value (cost) in the lessor's books. The three lease payments were Kshs. 16,450,200, payable on January 1st 2013, 2014 and 2015. Effective market rate 10%. Required: Prepare the lease amortization schedule |

Question Four

- a) Discuss four characteristics of a capital lease **[4 marks]**
- b) On 1st January 2013, Lombok Company Limited a lessor company entered into agreement with Borrow Company Limited the lessee for three years. The economic life of the equipment was also three years. The fair value of the equipment was Kshs. 45,000,000 and it was the carrying value (cost) in the lessor's books. The three lease payments were Kshs. 16,450,200, payable on January 1st 2013, 2014 and 2015. Effective market rate 10%.
Required: Prepare the lease amortization schedule **[16 Marks]** |

Question Five

- a) Explain the concept of present value in accounting. How is present value calculated and why is it important in financial decision making? **[8 Marks]**
- b) Write short notes on the following:
- i) Unearned revenues **[4 Marks]**
- ii) Accounts Payable **[4 Marks]**
- iii) Sales tax payable **[4 Marks]** |