LAIKIPIA UNIVERSITY COLLEGE

BUST 212 INTERMIDIATE ACCOUNTING

CONTINOUS ASSESSMENT TEST 1

**READ AND FOLLOW the instructions given in each question**

**Attempt both questions**

1. Kericho company LTD had the following non-current assets on January 1, 2009:

|  |  |  |
| --- | --- | --- |
| ASSET | COST (Ksh. Millions) | ACCUMULATED DEPPRECIATION (Ksh. Millions) |
| Motor vehicles | 500 | 60 |
| Furniture and fittings | 30 | 5 |
| Factory machinery | 1000 | 100 |
| Land and buildings | 800 | 120 |

The company’s depreciation policy is as follows:

* Motor vehicles are depreciated at 10% on cost.
* Furniture and fittings and Factory machinery are depreciated at 25% using the reducing balance method.
* Buildings are depreciated at 15% p.a. using the reducing balance method. The company’s land cost Ksh. 150,000,000.00
* Assets are depreciated a full year’s worth of depreciation on the year of acquisition (regardless of the month they were acquired). No depreciation is charged on an asset during the year it is disposed off.

The company acquired the following assets during the year ending 31st December, 2009.

|  |  |
| --- | --- |
| ASSET | COST (Ksh. Millions) |
| Motor vehicles | 15 |
| Furniture and fittings | 10 |
| Factory machinery | 200 |
| Buildings | 800 |

A motor vehicle that cost Ksh. 3,000,000.00 and an accumulated depreciation of 1,800,000.00 was disposed off in the year for Ksh. 2,000,000.00. Further, an item of buildings was reclassified to the furniture and fittings; the item cost Ksh. 1,000,000.00 and had an accumulated depreciation of Ksh. 500,000.00

REQUIRED:

1. The depreciation expense for the year ending 31st December 2009 for each of the class of assets (show all your workings) (13 mks).
2. The property, plant and equipment (PPE) movement schedule for the year (12 mks)
3. The disposal account for the motor vehicle disposed off, showing the disposal gain/ loss. (5 mks)
4. Taifa LTD floated an issue of 3,000,000 ordinary shares of Ksh. 10 par each. The payment terms were as follows:

* On application- Ksh. 5 per share.
* On allotment- Ksh. 5 per share.
* On first and final call- Ksh. 2 per share (The premium).

Applications for 4,000,000 shares were received. The excess application money was refunded. All the other monies were received in time, except for one investor, Mr. Othieno who failed to pay for the first and final call. The investor in question had been allotted 300,000 shares. His shares were forfeited and later reissued at par.

REQUIRED

Journal entries to record the above transactions (10 mks).