



**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2019/2020 ACADEMIC YEAR**

**SECOND YEAR SECOND SEMESTER**

**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCA211**

**COURSE TITLE: ACCOUNTING FOR ASSETS AND LIABILITIES**

**DATE: 20<sup>TH</sup> NOVEMBER 2020      TIME: 9.00AM-11.00AM**

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**INSTRUCTIONS TO CANDIDATES**

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

KIBUCO observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.

## QUESTION ONE

- a) J. Otieno established his Jua Kali business and started trading 1<sup>st</sup> Jan 2014. His purchases and disposals of fixed assets over a period of 3 years were as follows

| Asset | Date of purchase | Cost (sh) | Date of disposal | Proceeds (sh) |
|-------|------------------|-----------|------------------|---------------|
| M1    | 1 January 2014   | 2800000   | -                |               |
| M2    | 1 January 2014   | 1400000   | 1 January 2016   | 504000        |
| M3    | 1 January 2016   | 392000    | -                |               |

**Required:** For the year ended 2014, 2015, 2016 prepare fixed assets accounts, provision for depreciation account, disposal of fixed assets account. (9mks)

- b) Bank reconciliation is required when the cashbook balance differs with the bank statement balance. Clearly outline the bank reconciliation procedure. (3mks)
- c) Distinguish between amortization and depreciation. (3mks)
- d) Distinguish between simple average method (SAM) and weighted average method (WAM) as used in inventory valuation. (3mks)
- e) Distinguish between cash and cash equivalents. (2mks)
- f) What is the significance of debit balance in purchases ledger, show its accounting treatment. (3mks)
- g) What are the main purposes of control accounts. (3mks)
- h) Distinguish between revaluation reserve and provision for depreciation. (5mks)

**(TOTAL 30MKS)**

## QUESTION TWO

Denticare Limited makes accounts as at 30<sup>th</sup> June every year. On 1<sup>st</sup> July 2016, the company's balance sheet included the following figures for the noncurrent assets.

|                     | cost<br>`sh000` | Accumulated<br>depreciation<br>`sh000` | Rates on cost |
|---------------------|-----------------|--|---------------|
| Land                | 40000           | NIL                                    | NIL           |
| Buildings           | 22000           | 8000                                   | 2%            |
| Plant and machinery | 16000           | 6000                                   | 15%           |
| Motor vehicles      | 6000            | 2000                                   | 20%           |

During the year ended 30<sup>th</sup> June 2017 the following transactions took place

1. On 1<sup>st</sup> January 2017 the company revalued buildings a sh 34 million.

2. On 1<sup>st</sup> January 2017, a plant which had cost sh 3million was sold for sh 500,000. Accumulated depreciation on 30<sup>th</sup> June 2016 was Sh 2.3 million. A new plant was then purchased at sh 4 million.
3. On 1<sup>st</sup> April 2017 a new motor vehicle was purchased for sh 300,000. Part of the purchase price was settled by exchanging another motor vehicle at an agreed value of sh120,000. The balance of sh180,000 was paid in cash. The vehicle which was given in part exchange had cost sh200,000 and had a net book value of sh100,000 as at 30<sup>th</sup> June 2016.

Required

- a) Ledger accounts. (10mks)
- b) Property, plant and equipment movement schedule. (10mks)

**TOTAL 20MKS**

### QUESTION THREE

- a) Explain the term `bank reconciliation and state the reasons for its preparation. (6mks)
- b) Ssemakula, a sole trader received his bank statement for the month of June 2017. At the date the bank balance was sh706,500, whereas his cash book balance was sh 2,336,500, his accountant investigated the matter and discovered the following discrepancies;-
  1. Bank charges of sh3000 had not been entered into the cashbook.
  2. Cheques drawn by Ssemakula totaling sh. 22,500 had not yet been presented to the bank.
  3. He had not entered receipts of sh 26,500 in his cashbook.
  4. The bank had not credited Mr. Ssemakula with receipts of Sh 98500 paid into the bank on 30<sup>th</sup> June 2017
  5. Standing order amounting to Sh 62000 had not been entered in the cash book
  6. A cheque for Sh 15000 from a debtor had been returned by the bank marked "refer to drawer" but had not been written back into the cash book
  7. Ssemakula had brought forward the opening cash balance of 329250 as a debt balance instead of a credit balance
  8. An old cheque payment amounting to Sh 44000 had been written back in the cashbook but the bank had already honoured it.
  9. In the cashbook Ssemakula had entered a payment of Sh 74900 as 79400
  10. Some of the Ssemakula's customers had agreed to settle their debts by paying directly into his bank account. Unfortunately the bank had credited some deposits amounting to Sh 832,500 to another customers account. However, acting on information from his customers Ssemakula had actually entered the expected receipts from the debtors in his cash book

**Required:**

Adjusted cashbook and bank reconciliation statement as at 30<sup>th</sup> June 20017

**QUESTION FOUR**

a) Consider the following transaction on material X for the month of June 2017

|           |          |                              |
|-----------|----------|------------------------------|
| 2/6/2017  | received | 1000 units at Sh 40 per unit |
| 8/6/2017  | received | 600 units at Sh 44 per unit  |
| 10/6/2017 | issued   | 800 units                    |
| 15/6/2017 | issued   | 400 units                    |
| 20/6/2017 | received | 1200 units at 50 per unit    |
| 25/6/2017 | issued   | 600 units                    |
| 27/6/2017 | received | 400 units at Sh 52 per unit  |
| 30/6/2017 | issued   | 200 units                    |

Required: Stock ledger sheet, reconciliation of stock value and trading account (12mks)

b) Explain each of the following adjustments and the accounting treatment

- i. Accrued expenses (2mks)
- ii. Prepaid expenses (2mks)
- iii. Receivable income (2mks)
- iv. Advance income (2mks)

**Total 20mks**

**QUESTION FIVE**

a) Briefly explain reasons why net profit from ordinary activities differs from cash flow generated from operations(8mrks)

Bermuda Ltd keeps control accounts in its books. The accountant has supplied the month ended 31 December 2016

Balances as at 1 December 2016 as follows:

|                  |                   |         |
|------------------|-------------------|---------|
| Sales ledger     | - Debit balances  | 556,000 |
|                  | - Credit balances | 178,000 |
| Purchases ledger | - Credit balances | 624,000 |
|                  | - Debit balances  | 186,000 |

Transactions during the month

|                                 |            |
|---------------------------------|------------|
| Sales on credit                 | 11,548,000 |
| Purchases on credit             | 10,472,000 |
| Returns inwards                 | 445,000    |
| Returns outwards                | 549,000    |
| Cheques received from customers | 9,242,000  |
| Cheques paid to suppliers       | 8,940,000  |
| Cash paid to suppliers          | 194,000    |

|   |                   |         |
|---|-------------------|---------|
| Cash received from customers                  |                   | 204,000 |
| Bad debts written-off                         |                   | 158,000 |
| Discounts allowed to customers                |                   | 269,000 |
| Discounts received from suppliers             |                   | 176,000 |
| Credit purchases off-set against credit sales |                   | 454,000 |
| Balances as at 31 December 2016               |                   |         |
| Sales ledger                                  | - Credit balances | 189,000 |
| Purchases ledger                              | - Debit balances  | 192,000 |

**Required:**

The sales ledger and purchases ledger control accounts for the month ended 31 Dec 2016. (12 marks)