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(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATION
2020/2021 ACADEMIC YEAR
SECOND YEAR FIRST SEMESTER
MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA 211

COURSE TITLE: ACCOUNTING FOR ASSETS AND LIABILITIES

DATE: 19-5-2021 **TIME:** 2.00PM-4.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question **One** and Any other **Two** Questions

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating



QUESTION ONE (COMPULSORY)

a) The international Accounting Standards (IAS) recognizes the following as fundamental accounting principles:- Discuss.

(i) Money Measurement

(ii) Periodicity

(iii) Historical cost

(iv) Going concern

(v) Accruals

(10 mks)

(2 mks)

b) (i) Define marketable securities.

(ii) Generally accepted principles require companies to classify their investment securities into categories. Account for this statement.

(8 mks)

c) The following data relates to the books of Amani enterprises at 31/12/2004

Bad debts written off shs. 125,000

Provision for doubtful debts 1/1/2004 shs. 50,000

Net debtors shs. 2,700,000

Provision for bad debtors is to be maintained at 5% of good debtors

Required:-

Relevant ledger Accounts and an extract of the profit and loss account for the year ended 31 December, 2004.

(10 mks)

QUESTION TWO

(a) Define LIFO as a method of inventory control.

(2mks)

(b) Explain advantages and disadvantages of LIFO as a method of inventory valuation.

(6mks)

(c) Assume the following purchases were made in Nguzo Ltd

Date of purchase	Units purchased	Price/unit
1 st January	500	100
2 nd January	600	200
3 rd January	800	400

Units used on 4th January are 900. Determine the value/cost of units used by using FIFO, LIFO and weighted average.

Required:

Determine the cost of units used and the value of the closing stocks using FIFO, LIFO and Weighted Average.

(12mks)

QUESTION THREE

(a) Explain the term "bank reconciliation" and discuss the reasons for its preparation.

(10mks)

(b) The following are extracts from the cashbook and the bank statement of J Richards. You are required to:

Write the cashbook up to date, and state the new balance as on 31 December 2002 and Draw up a bank reconciliation statement as on 31 December 2002. (10mks)

Cashbook					
2002	Dr	£	2002	Cr	£
Dec 1	Balance b/d	1,740	Dec 8	A Dailey	349
Dec 7	J Map	88	Dec 15	R Mason	33
Dec 22	J Cream	73	Dec 28	G Small	115
Dec 31	K Wood	249	Dec 31	Balance c/d	1,831
Dec 31	M Barrett	178			
		<u>2,328</u>			<u>2,328</u>

Bank Statement

2002		Dr	Cr	Balance
		£	£	£
Dec 1	Balance b/d			1,740
Dec 7	Cheque		88	1,828
Dec 11	A Dailey	349		1,479
Dec 20	R Mason	33		1,446
Dec 22	Cheque		73	1,519
Dec 31	Credit transfer: J Walters		54	1,573
Dec 31	Bank charges	22		1,551

QUESTION FOUR

- (a) Explain the objectives of accounting for depreciation. (10mks)
- (b) A company depreciates its plant at the rate of 20 per cent per annum, straight line method, for each month of ownership. From the following details draw up the plant account and the provision for depreciation account for each of the years 1999, 2000, 2001 and 2002. (10mks)

1999 Bought plant costing £900 on 1 January.

Bought plant costing £600 on 1 October.

2001 Bought plant costing £550 on 1 July.

2002 Sold plant which had been bought for £900 on 1 January 1999 for the sum of £275 on 30 September 2002.