



**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2020/2021 ACADEMIC YEAR**

**SECOND YEAR FIRST SEMESTER**

**SPECIAL/SUPPLEMENTARY EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCA211/BCA201**

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

**DATE: 1<sup>ST</sup> OCTOBER, 2021 TIME: 2.00PM – 4.00PM**

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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



KIBU observes ZERO tolerance to examination cheating

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

## SECTION A(COMPULSORY)

### QUESTION ONE

a) The details of the accounts of BR car hire limited areas follows

1. The balance of the following accounts at 1<sup>st</sup> January 2017 were

Motor vehicle account Sh 2108000

Provision for depreciation of motor vehicle sh 944000

2. During the year motor vehicle which originally cost Sh 942000 was traded in for Sh 220000 accumulated depreciation for motor vehicle was Sh 616000. The cost of new vehicle was 1276000. The balance of Sh 1056000 was paid by cheque

3. The closing balance on the depreciation of motor vehicle at 31<sup>st</sup> December 2017 was Sh 778000.

**Required:** Motor vehicle account, provision for depreciation of motor vehicle account, disposal of motor vehicle account (9mks)

b) Demonstrate your understanding of the following

- i. Amortization
- ii. Impairment of assets
- iii. Plant property movement schedule

3mks

c) Distinguish between First In First Out FIFO and Last in First Out LIFO as used in inventory valuation 2mks

d) What are the benefits of a cash flow statement to a business entity (4mks)

e) Determine steps taken when recording disposal of assets by trade in (3mks)

f) Demonstrate your understanding of the accounting treatment of bad debts bad debts recovered provision for bad and doubtful debts (6mks)

g) What is the significance of the credit balance in the sales ledger and how is it treated in the control account (3mks)

**Total 30mks**



## SECTION B

### QUESTION TWO

- a) Briefly explain why it is important to prepare a bank reconciliation statement (4 mks)
- b) You have been recently employed in a medium size company and deployed in an account department. Your head of section has given you the following extract from the cash book of may 2017

	Sh		Sh
Receipts during the month	2938000	BalB/f	1522000
Balance c/f	1108000	payments	2524000
	4046000		4046000

The head of section inform you that all receipts are banked intact and all payments are made by cheque.

On investigation you discover the following

- 1) Bank charges and commission amount to 272000 entered on the bank reconciliation statement had not been entered in the cash book.
- 2) Chaques drawn amounting to sh 534000 had not been presented to the bank for payment
- 3) Chaques totaling to sh 1524000 had been entered in the cash book and paid into the bank and had not been credited until June 2017
- 4) A cheque totaling to sh 44000 had been entered as a receipt in the cash book instead of a payment.
- 5) A cheque of 50000 had been debited by the bank by mistake
- 6) A cheque received for sh 1600 had been returned unpaid. no adjustments had been made in the cash book
- 7) All dividends receivables are credited direct to the bank. During the month of may 2017 dividends totaling t sh 12400 were credited by the bank and no entries were made in the cash book
- 8) A cheque drawn for sh 12000 had been incorrectly entered in the cash book as 132000
- 9) The b/f should have been sh 1432000
- 10) The bank statement as at 30<sup>th</sup> may 2017 showed an overdraft of sh 2324000

Required: Adjusted cashbook and bank reconciliation statement as at 30<sup>th</sup> may 2017

### QUESTION THREE

1. The balance sheet of Matemo Ltd at 30<sup>th</sup> oct 2017 included the following note of fixed assets:

Fixed assets	Freehold land/building sh 000	Leasehold land/building sh 000	Motor vehicle sh 000	Furniture & equipment sh 000
Cost	17000	13000	4200	1560
Accumulated deposit	—	1600	2050	625
Net book value	17000	11400	2150	935

The company's policy on depreciation of fixed assets requires that the straight line method be used and the following rates are applied

Freehold land & buildings	NIL
Leasehold land & buildings	5%
Motor vehicles	25%
Furniture & equipment	12 ½%

A full year's depreciation is provided in the year of acquisition and in the year of disposal

Additional information

1. A piece of equipment purchased in may 2013 at the cost of 400,000 was disposed of for sh240,000 the year ending 31<sup>st</sup>oct 2017.
2. The freehold land and building were revalued at sh29,000,000 by valuer score ltd.
3. A motor vehicle purchased July 2015 for sh1200000 was traded in part exchange for a new vehicle costing sh2,250,000 additional cash amounting to sh1,500,000 was paid
4. A typewriter which had cost sh60,000 in June 2007 was scrapped during the year and 15,000 received from the waste equipment dealer.

Required: schedule of fixed assets movement for the year ended 31<sup>st</sup>oct 2017(14mks)

The following related to the book of john for the year ending 31/12/2017.

Provision for bad doubtful debts sh 430,000 brought forward on 1/1/2017

Total debtors 31/12/2017 sh9,000,000 but debts recovered in the year were sh 50,000

Provision for bad and doubtful debt is at 5%

Required: ledger accounts, profit and loss entries and balance sheet extract (6mks)

**Total 20mks**



#### QUESTION FOUR

a) Consider the following transaction on material Y for the month of June 2018

2/6/2018	received	2000 units at Sh 40 per unit
8/6/2018	received	1200 units at Sh 44 per unit
10/6/2018	issued	1600 units
15/6/2018	issued	800 units
20/6/2018	received	2400 units at 50 per unit
25/6/2018	issued	1200 units
27/6/2018	received	800 units at Sh 52 per unit
30/6/2018	issued	400 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

The following balances were extracted from the books of James Inyangala, a sole trader in respect of the year ended 30 June 2015

	Sh.
Capital account 1 July 2014	9,327,500
Sales	10,662,000
Sales return	180,500
Trade debtors	2,250,000
Drawings	1,500,000
Purchase	5,236,000
Trade creditors	750,000
Purchase returns	273,500
Wages and salaries	2,350,000
Discount allowed	124,000
Discount received	213,000
Provision for depreciation	
Fixtures	145,000
Vehicles	400,000

Cash at bank	1,291,500
Cash in hand	60,000
Electricity	236,000
Rates paid	124,000
Freehold premises at cost	3,817,500
Fixtures at cost	760,000
Motor vehicles at cost	800,000
Stationery	78,000
Postage and telephone	100,000
Insurance	30,000
Bad debts provision	100,000
Bad debts written off	36,000
Motor vehicle running expenses	193,000
Stock on 1 July 2014	3,167,000
Loan at 15 per cent interest	500,000
Interest on loan	37,500

#### Additional Information

1. Rates are to be apportioned such that three -quarters is for business and the rest for private premises, while sh.32, 000 is prepaid for the business.
2. Three quarters of the charge for electricity is for the business and one quarter for private use.
3. Stock on 30 June 2015 amounted to Sh 3,105,000
4. Depreciation on fixtures is at 5 per cent on cost and on motor vehicles 20 percent on reducing balances. "No depredation is to be provided freehold premises
5. Insurance unexpired is sh.6,000
6. Provision for bad debts is to be adjusted to sh.125,000
7. Only half year's Interest on loan had been paid
8. An invoice for goods purchased amounting to -Sh 50,000 has not been recorded on the books though the goods were included in the closing stock
9. Goods amounting to Sh.20, 000 had been taken for personal use by James, the proprietor.

Required:

- a) Income statement for the year ended 30 June 2015 (12 marks).
- b) Statement of financial position as at 30 June 2015. - (8 mks)