



*(Knowledge for Development)*

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2021/2022 ACADEMIC YEAR**  
**MAIN EXAMS**

**FOR THE DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION**  
**COURSE CODE: BCA 211**  
**COURSE TITLE: ACCOUNTING FOR ASSETS AND LIABILITIES**  
**DATE: 23<sup>RD</sup> MAY, 2022** **TIME: 9.00 AM – 11.00 AM**

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**INSTRUCTIONS TO CANDIDATES**

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question **one** carries **30** marks and each of the other two questions carry **20** marks each.

**TIME: 2 Hours**

**KIBU observes ZERO tolerance to examination cheating**

**This Paper Consists of 4 Printed Pages. Please Turn Over.**

**SECTION A(COMPULSORY)**  
**QUESTION ONE**

- a) Analyse the following methods of measurement of elements in financial statements:
- i) Historical cost. (3 marks)
  - ii) Net realisable value. (3 marks)
  - iii) Present value. (3 marks)
- b) Distinguish between the "Cash basis of accounting" and "accrual basis of accounting" (2mks)
- c) Distinguish between "allowance for bad and doubtful debts" and "bad debts" (2mks).
- d) Explain what makes information in financial statements relevant to users (6mks)
- e) One of the requirements of financial statements is that they should be free from material error. Suggest three safeguards, which may exist, inside or outside a company to ensure that the financial statements are free from material error (6mks).
- f) Briefly explain the nature and purpose of accounting for depreciation (5mks)

**(Total 30marks).**

**SECTION B**

**QUESTION TWO**

One way of regulating accounting is through the adoption and enforcement of accounting standards either by law or by independent professional bodies.

- a) Analyse five arguments against accounting standards (10Marks)
- b) Highlight an FIVE international Accounting Standards(IAS) (10Marks)

**(Total 20marks).**

**QUESTION THREE**

- a). In the year 2010, Mavuno's debtors balance was 600,000, from which bad debts of 50,000 need to be written off. There is no specific provision but the generation provision is to be put a 5%. Show the ledger accounts to record the above transactions together with a profit and loss and balance sheet extracts for the year 2010 (12mks)
- b) A firm has the following assets as part of the non-current assets.

	<u>Cost</u>	Depreciation
Land	1,000,000	-
Buildings	800,000	40,000

The firm decides to revalue these two assets to reflect their current market prices and these are revalued at:

- Land 1,200,000
- Building 900,000

Show the relevant entries in the respective ledgers to record the revaluation (8mks)

**(Total 20marks).**

#### QUESTION FOUR

a) Alimba Ltd has a share capital of shs200,000 trade up of 100,000 shares of shs2 each. The balance on the share premium is shs60,000. Additional capital is raised by way of a right issue. The terms are: For every 5 shares held in the company, a shareholder can buy 2 shares at a price of shs2.5 per share.

**Required:**

- Show the journal entries to reflect the above transaction assuming that all the shareholders exercise their rights (5 Marks)
- the relevant balance sheet extract (5 marks)

b) Zamia limited has an authorized share capital of 200,000 shares of shs1 each out of which only 150,000 shares have been issued, Although the firm requested the shareholders to pay 80p per share, the shareholders were able to pay 50p per share.

*Required:*

Determine the:

- Authorized share capital (2 marks)
- Issued share capital (2 marks)
- Called up share capital (2 marks)
- Uncalled up share capital (2 marks)
- Paid up share capital (2 marks)

**(Total 20marks).**



### QUESTION FIVE

a) Fanaka Ltd has the following purchases and sales of inventory during the month of June.

<u>Units purchased</u>	<u>units sold</u>
1 <sup>st</sup> -50 units at sh1	10 <sup>th</sup> -70 units
6 <sup>th</sup> - 50 units at shs1.1	30 <sup>th</sup> - 210 units
13 <sup>th</sup> 150 units at shs 1.2	
20 <sup>th</sup> – 100 units at shs 1.3	
25 <sup>th</sup> – 150 units at shs 1.4	

Units in ending inventory was 220 units.

Show the stores ledger a/c using FIFO, LIFO and WAM.

(15mks).

b) Explain three reasons why in many organisations the cash flow for a given period differs from the profit realised by the organisation in the same period

(5mks)

**(Total 20marks).**