



*(Knowledge for Development)*

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATION**  
**2021/2022 ACADEMIC YEAR**  
**SECOND YEAR FIRST SEMESTER**  
**SPECIAL/SUPPLEMENTARY EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCA 211/BCA201**

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

**DATE: 20<sup>TH</sup> JULY, 2022 TIME: 2.00PM – 4.00PM**

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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



### QUESTION ONE (COMPULSORY)

- a) Differentiate between the following terminologies as used in accounting.
- i) Assets and liabilities
  - ii) Cash and profits
  - iii) Un-presented deposits and un-credited deposits. (10mks)
- b) (i) Define marketable securities. (2 mks)  
(ii) Generally accepted principles require companies to classify their investment securities into categories. Account for this statement. (8 mks)
- c) Identify and explain five indicators which show that an impairment loss to a fixed asset may have occurred. (10 mks)

### QUESTION TWO

Ngao Limited makes its accounts on 30 June every year.

On 1 July 2001, the company's balance sheet included the following figures for non-current assets:

	<b>Cost</b>	<b>Accumulated Depreciation</b>
	<b>Sh.</b>	<b>Sh.</b>
	<b>'000'</b>	<b>'000'</b>
Land	40,000	Nil
Buildings	22,000	8,000
Plant and machinery	16,000	6,000
Motor vehicles	6,000	2,000

The company's policy is to charge depreciation at the following rates:

	<b>Rate</b>
Land	Nil
Buildings	2% on cost
Plant and machinery	15% on cost
Motor vehicles	20% on cost

A proportionate charge is made in the year of purchase, sale or revaluation of an asset.

During the year ended 30 June 2002, the following transactions took place:

1. On 1 January 2002 the company decided to adopt a policy of revaluing its buildings. A professional valuer engaged for this purpose revalued the buildings at Sh.34 million.
2. On 1 January a plant that had cost Sh.3 million was sold for Sh.500, 000. Accumulated depreciation on this plant on 30 June 2001 amounted to Sh.2.3 million. A new plant was then purchased at a cost of Sh.4 million.
3. On 1 April 2002 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 sh.120, 000 the balance of Sh.180, 000 was paid in cash. The vehicle which was given in part exchange had cost Sh.200, 000 and had a net book value of Sh.100, 000 as at 30 June 2001

**Required:**

(a) The following ledger accounts to record the above transactions:

- (i) Buildings account.
- (ii) Provision for depreciation: Buildings.
- (iii) Plant and machinery account.
- (iv) Provision for depreciation: Plant and Machinery.
- (v) Motor vehicles account.
- (vi) Provision for depreciation: Motor vehicles. (20 mks)

**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 2001. At that

date the bank balance was Sh. 706,500 whereas his cash book balance was Sh.2,366,500.

His accountant investigated the matter and discovered the following discrepancies:

1. Bank charges of Sh.3, 000 had not been entered in 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 MrSsemakula with receipts of Sh.98, 500 paid into the bank on 30 June 2001.
5. Standing order payments amounting to Sh.62, 000 had not been entered into the cashbook.
6. In the cashbook Ssemakula had entered a payment of Sh.74, 900 as Sh.79, 400.
7. A cheque for Sh.15, 000 from a debtor had been returned by the bank marked "refer to drawer" but had not been written back into the cashbook.
8. Ssemakula had brought forward the opening cash balance of Sh.329, 250 as a debit balance instead of a credit balance.
9. An old cheque payment amounting to Sh.44, 000 had been written back in the cashbook but the bank had already honored it.
10. Some of 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 customer's account. However acting on information from his customers Ssemakula had actually entered the expected receipts from the debtors in is cashbook.

**Required:**

- i. A statement showing Ssemakula's adjusted cashbook balance as at 30 June 2001. (9 mks)
- ii. A bank reconciliation statement as at 30 June 2001. (5mks)

**QUESTION FOUR**

- (a) Discuss three critical attributes of an intangible asset (6mks)
- (b) Outline the cost which should not be included in the initial cost of property, plant and equipment. (4mks)
- (c) Explain the objectives of accounting for depreciation. (10mks)