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KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR
SECOND YEAR FIRST SEMESTER
MAIN EXAMINATION
FOR THE DEGREE OF BACHELOR OF COMMERCE
COURSE CODE: BCA211
COURSE TITLE: ACCOUNTING FOR ASSETS AND LIABILITIES

DATE: 21ST APRIL, 2023

TIME: 2.00PM – 4.00PM

INSTRUCTIONS TO CANDIDATES

1. Answer a total of **three** questions; question **one** and any other **two** questions.
2. Question **one** carries **30 marks** and each of the other two questions carry **20** marks each.

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QUESTION ONE (30 Marks)

- a. Assume that a firm purchased inventory for Ksh.100, 000, to be paid within 30 days. A supplier offered a 2% discount for early payment and the purchaser intends to pay within the discount period, journalize this information. (5 Marks)
- b. The following is an inventory schedule,

	<u>Quantity</u>	<u>Cost/Unit</u>	<u>Total</u>
Inventory at beginning of the year	900 units	Sh. 2.00	1800
Purchases			
Jan 15	200 units	Sh. 2.25	450
April	100 units	Sh. 2.50	250
July	700 units	Sh. 2.60	1820
October	250 units	Sh. 3.00	750

Assume that in the ending there was inventory of 1110 units. Price this inventory according to the LIFO method. (5 Marks)

- c. Define the following terms.
- i. Journal (2 Marks)
 - ii. Source documents (2 Marks)
 - iii. Accounting cycle. (2 Marks)
 - iv. Accounting theory (2 Marks)
- d. Identify and describe the components of shareholders' equity (5 Marks)
- e. Discuss five features of bonds (5 Marks)
- f. Define the term financial accounting (2 Marks)

QUESTION TWO (20 Marks)

Accounting principles can be classified into two categories: - (a) Accounting concepts

(b) Accounting conventions

Explain each of the two giving the principles that fall under each. (20 Marks)

QUESTION THREE (20 Marks)

- a. Distinguish between debentures and shares (5 Marks)
- b. On 1st April 2018, a company issued 1000 14% debentures of Shs.1000 each at Shs.950. Terms of issue provided that beginning with April 2020 Shs.50, 000 of debentures should be redeemed, either by drawings at par or by purchase in the market every year. The expenses of the issue amounted to Shs.8000 which were written-off in 2018-2019. The company wrote-off Shs.10, 000 from the discount of debentures every year. In 2021-22, the debentures to be redeemed were repaid at the end of the year by drawings. 2022-23, the company purchased for cancellation 50 debentures at the ruling price of Shs.980 on 31st December, the expenses being Shs.500. interest is payable yearly. Ignore income tax. Give journal entries and the balance sheet as far as it relates to debentures on 31st march 2023. (15 marks)

QUESTION FOUR (20 Marks)

- a. Journalize the following transactions:

2023

March 2 Started business with Shs.100, 000. Paid into bank Shs.50, 000

- 3 Bought furniture for cash Shs.5, 000
- 5 Bought goods for Shs30, 000
- 6 Sold goods for cash Shs.6, 000
- 10 Bought typewriter for Shs.18, 000 from the Remington Rand Inc. on credit
- 13 Sold goods to Anand & sons for 10,000 on credit
- 15 Bought goods from M/s Mohindra & Co. for Shs.20, 000 on credit.
- 18 paid telephone rent Shs.2, 400
- 22 Paid Shs.1, 000 for advertisement
- 26 Sold goods to M/s S. Lali & Co. for Shs.8, 000 for cash
- 30 Paid Salaries Shs.2, 000
- 30 Paid rent Shs1, 000
- 31 withdrew from bank Shs.3, 000
- 31 Bought one delivery van for Shs.300, 000 for the New Delhi Motor Co. payment to be made by monthly instalment of Shs.20, 000 each together with interest at 18%. First instalment paid by cheque. (10 Marks)

- b. Distinguish between preferred stock and common stock. (3 Marks)
- c. Other than goodwill gives three (3) examples of intangible assets. (3 Marks)
- d. Discuss in detail the two types of discounts (4 Marks)

QUESTION FIVE (20 Marks)

- a. Assume that Zato ltd has opening inventory of 40,000 units and that the stock was valued at Shs.8, 000, during the year 2019.

The following transactions took place during the year 2019.

Date	Purchases	Value	Total
Units		Shs	shs
Jan 1	8000	6.50	52,000
March 10	9000	8	72,000
April 7	10,000	9	90,000
October 17	12,000	8.50	102,000
November 12	5000	6	30,000

SALES

Units	
February 2	10,000
March 5	13,000
May 7	7,000
September 10	8,000

Calculate the value of closing stock using:

- a) Last in first out method
 - b) First in first out method. (10 Marks)
- b. briefly explain the main components of a balance sheet. (10 Marks)