



KIBABII UNIVERSITY COLLEGE

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Knowledge for Development

UNIVERSITY REGULAR EXAMINATION

2013/2014 ACADEMIC YEAR

2ND YEAR 1ST SEMESTER EXAMINATION

FOR THE DEGREE IN COMMERCE

COURSE CODE: BCA 201

COURSE TITLE: ACCOUNTING FOR ASSETS AND LIABILITIES

DATE: 15TH AUGUST, 2014

TIME: 9:00A.M.-12NOON

INSTRUCTIONS

Answer question **ONE** (compulsory) and any other **THREE** questions

QUESTION ONE

- a) The International Accounting Standards (IAS) 1 recognises the following as fundamental accounting principles
- i) Going concern
 - ii) Consistency
 - iii) Accruals
 - iv) Historical cost
 - v) Matching

Explain the role of these principles in accounting practice (10 marks)

- b) Name and explain any FIVE of the broad principles of internal control (5 marks)
- c) Name and explain any Five types of intangible assets (5 marks)
- d) Highlight FIVE features of bonds (5 marks)

QUESTION TWO

- a) Assume the following purchases were made in ABC Ltd

Date of purchase	Units of purchased	Price per 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 closing stock valuation using

- i) FIFO (5 marks)
 - ii) WAP (5 marks)
- b) Three year bonds are issued at face value of sh 100,000 on Jan, 1st 2007 and a stated interest rate of 8%. Calculate the issue price of the bonds assuming a market interest rate of 10% (5 marks)

QUESTION THREE

The following is the post closing trial balance for ABC Ltd as at 31/12/2008

	Dr	Cr
	Shs	shs
Cash	650,000	
Accounts receivable	1,600,000	
Prepaid expenses	1,480,000	
Inventories	2,860,000	
Machinery and equipment	3,200,000	
Acc. Depreciation equipment		1,100,000
Investments	1,500,000	
Accounts payable		700,000
Interest payable		200,000
Unearned Revenue		800,000
Taxes payable		310,000
Notes payable		2,000,000
Provision for bad debts		160,000
Ordinary shares		4,000,000

Retained earnings		<u>2,020,000</u>
	<u>11,290,000</u>	<u>11,290,000</u>

Additional information:

- i) Prepaid expenses included shs 1,200,000 paid in December 2008 for a two year lease on the building that house both Administrative office and manufacturing facilities
- ii) Investments include shs 300,000 in Treasury Bills purchase on November 30th 2008 the bill mature on January 30th 2009. The remaining shs 1,200,000 include investment insecurities to be sold in the next year.
- iii) Unearned revenue is for goods to be supplied in the next period.
- iv) Notes payable Account consists of the following
 - a) Shs 400,000 due in six months
 - b) Shs 1,000,000 due in six years
 - c) Shs 600,000 due in three years time
- v) The ordinary share have par value of shs 10 per share

Required:

A classified balance sheet for ANC ltd as at 31st December 2008 (15 marks)

QUESTION FOUR

- a) How does a voucher system help an organization to gain control over cash disbursements (5 marks)
- b) Write brief notes on the following current liabilities
 - i) Notes payable (5 marks)
 - ii) Obligations for warranties (5 marks)

QUESTION FIVE

Daffy Company purchased and installed a machine on January 2, 1990 at a total cost of shs 540,000. Straight line depreciation was taken each year for your years, based on the assumptions of a six-year life and no salvage value. The machine was disposed off on August 31, during its fifth year. Present the entries to record the partial year's depreciation on August 31 and to record the disposal under each of the following unrelated assumptions.

- i) The machine was sold for shs 200,000
- ii) The machine was sold for shs 84,000
- iii) The machine was totally destroyed in a fire and the insurance company settled the insurance claim for shs 110,000 (15 marks)