



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION

2017/2018 ACADEMIC YEAR

**THIRD YEAR FIRST SEMESTER EXAMINATION FOR THE BACHELOR OF
COMMERCE)**

BCA 301 – ACCOUNTING FOR ASSETS

DURATION: 3 HOURS

DATE: 6TH DECEMBER, 2017

TIME: 2.00 – 4.00 P.M.

Instructions to Candidates:

1. Answer **Question 1** and **Any Other Two** questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

SECTION ONE - COMPULSORY

QUESTION ONE

- a) What is the meaning of the depreciation? (2 marks)
- b) Give two reason why depreciation may occur (3 marks)
- c) The cost of equipment purchased by Yuri Hoskins on January 1, 2015 was Sh. 134,000/= . Its estimated salvage value at the end of its useful life is Ksh. 8,000/= . The service life is estimated at 7 years, Its total working hours are estimated at 84,000 and its total production is estimated at 1,050,000 units. During 2015 the machine was operated for 12,000 hours and produced 110,000 units. During 2016 the machine was operated for 11,000 hours and produced 96,000 units.

Required

- Compute depreciation expenses on the machine for the year ending 31st December 2015 and the year ending 31st December 2016 using the following:
- i. Straight line (3 marks)
 - ii. Units of Output. (3 marks)
 - iii. Working hours (3 marks)
 - iv. Sum of years digits (3 marks)
 - v. Declining balance(twice straight line safe) (4 marks)
- d) A distribution Company acquired an adjacent plot to construct a new warehouse; paying 35,000/= cash and obtaining a for Shs. 125,000 to finance full purchase price. Legal fees paid amounted to 1,100/= . Delinquent taxes assumed amounted to 12,500/= and fees paid to remove old buildings from the land was 18,000/= . Materials salvaged from the demolition of the building were sold from 3,600/= . A contractor was paid 512,500 to construct a new warehouse.

Required.

Determine the cost of land to be reported in the balance sheet (9 marks)

(Total 30 mark)

SECTION TWO – ANSWER ANY TWO QUESTIONS

QUESTION TWO

- a) List and explain two uses and two limitations of Income statement. (4 marks)
- b) List and explain two uses and two limitation of stamen of financial position (4 marks)
- c) The trial balance of Vivaldi Corporation for the year ended December 31st 2015 are given below.

	Debit (Kshs)	Credit(Kshs)
Cash and Cash equivalents	197,000	
Sales seveence		7,900,000
Trading Securities (at cost 14,500)	153,000	
Cost Of Goods Sold	4,800,000	
Long term Investment in bonds	299,000	
Long term Investments in Shares	277,000	
Notes Payable		90,000
Selling Expenses	2,000,000	
Investment seveence		63,000
Land	260,000	
Building	1,040,000	
Dividends Payable		136,000
Acquired Liabilities		96,000
Account receivable	435,000	
Accumulate depreciation Building		352,000
Allowance for doubtful debts		25,000
Administrative Expenses	900,000	
Interest Expenses	211,000	
Inventory	597,000	
Pension Liability- Long term		80,000
Notes payable- long term		900,000
Equipment	600,000	

Bonds payable		1,000,000
Accumulated depreciation Equipment		60,000
Franchise	160,000	
Share capital- Ordinary @ 5= each		1,000,000
Treasury shares	191,000	
Patents	105,000	
Retained earnings		78,000
Accumulated other comprehensive incomes		80,000
	<u>12,315,000</u>	<u>12,315,000</u>

Required.

Prepare a statement of financial position as at 31st December 2015 (12 marks)

TOTAL (20 marks)

QUESTION THREE

The cash account of Union Carbide Limited on June 1st indicated a balance of 1,691,195/=. During the month of June total receipts banked were 65,500,045 while total cheques amounted to 6,812,747/=. The bank statement showed a balance of 1,888,045/= on June 30th 2010.

Comparing the bank statement and the accompanying cancelled cheques and memorandum with records reveals the following;

- 1) Cheques outstanding totals 518,027/=
- 2) A deposit of 348,170/= representing receipts for June had been too late to appear on the bank statement.
- 3) A cheque for 62,000/= had been erroneously charged by the bank as 26,000/=
- 4) A cheque for 47,930/= issued to a supplier was recorded as 49,730/=
- 5) The bank collected for the organization 342,400/= on a note left for collection, the value of the note was 320,000.
- 6) Bank charges not recorded in the books were 2,500.
- 7) A cheque for 88,000/= from Tamara was returned by the bank due to insufficient funds.

Required.

- a) Prepare journal entries to update union carbide books. (10 marks)

b) Draw up the reconciliation statement for June 2010 (10 marks)

TOTAL (20 marks)

QUESTION FOUR

- a) In perpetual inventory control system there are times when the inventory as per records does not agree with the physical count. What causes such differences?
- b) Lobianco Company record of transactions for the month of April 2016 is given below.

Date.	Purchases	Sales
April 1 balance on hand	6,000 @6.00	April 3 5,000@10
April 4	15,000@6.08	9 13,000 @10
8	8,000@6.40	1 16,000 @ 11
13	12,000@6.50	23 12,000 @11
21	7,000@6.6	27 9,000 @ 12
29	5,000 @6.7	

Required.

- I. Prepare stores ledger card using FIFO and give a breakdown of closing stock valuation. (10 marks)
- II. What is the gross income for the period? (3 marks)
- III. If the company uses periodic system of stock control: compute the value of inventory on April 30th 2016 using LIFO. (4 marks)

TOTAL (20 marks)