



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION

2020/2021 ACADEMIC YEAR

**THIRD YEAR FIRST SEMESTER EXAMINATION FOR, BACHELOR OF
COMMERCE**

BCA 301– ACCOUNTING FOR ASSETS

DURATION: 2 HOURS

Instructions to candidates:

1. Answer question One 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 A: ANSWER ALL QUESTIONS IN THIS SECTION

QUESTION ONE (30 MARKS)

- a) Highlight three disadvantages of periodic inventory system (6marks)
- b) Outline four reasons why the accrual basis of accounting is preferred to cash basis of accounting (4marks)
- c) State four elements of the conceptual framework of accounting (4marks)
- d) Outline three ways a firm can use accounts receivable as a source of finance (6marks)
- e) Briefly describe the procedure of determining the total cost of a natural resource (5marks)
- f) Highlight five classes of non-current assets (5marks)

SECTION B – ANSWER ANY TWO QUESTIONS IN THIS SECTION

QUESTION TWO (20 MARKS)

- a) The following transactions relates to Crowell ltd for the month of September 2021.
 - i. September 1 bal b/f 6000 units valued at Sh 200 per unit
 - ii. September 4 sold 100 units
 - iii. September 8 purchased 5000units at Sh210per unit
 - iv. September 10 sold 4000 units
 - v. September 12 purchased 7000 units @ Sh 220 per unit
 - vi. September 14 purchased 4000 units at 225 per unit
 - vii. September 18 sold 6500 units
 - viii. September 21 purchased 6000 units at Sh 230 per unit
 - ix. September 22 sold 6600 units
 - x. September 25 sold 1200 units
 - xi. September 28 purchased 8000 units at Sh 240 per unit
 - xii. September 30 sold 3,600units

Required

Using the average method, calculate the cost of closing stock and sales under periodic system (8marks)

- b) Discus six differences between operating lease and finance lease (12marks)

QUESTION THREE (20 MARKS)

- a) Lindex mining company operates a coal mine. The following information relates to the coal mine. The following information relates to the coal mine.

Purchase of rights	8,000,000
Exploration	6,000,000
Mine preparation	4,000,000
Mounting of shaft	3,000,000
Mining machines	2,000,000
Transport vehicle	2,500,000
Economic life	5 years
Expected annual cash flows	20,000,000

After coal is mined in five years, the company is expected to adhere to Asset restoration obligation.

- a) Show how the above transaction will be recorded by the company (10marks)
b) Explain three methods of acquiring non-current assets (6marks)
c) Distinguish between depreciation and depletion of non-current assets (4marks)

QUESTION FOUR (20 MARKS)

- a) Midland Ltd offer 30 days credit to its customers uncollectible amounts are estimated to be 3% of credit sales. The following information was obtained from the company's records.

Accounts receivable	Sh 800,000
Credit sales	Sh 2,000,000
Cash received from debtors	Sh 1,750,000
Required allowance	Sh 20,000
Actual write off	Sh50,000

Required

- i. Calculate the amount of accounts receivable to be included in the statement of financial position (5marks)
ii. Calculate the amount of bad debts expense (2marks)
iii. Show how the accounts receivable, bad debts and allowance for doubtful debts will be recorded (3marks)
- b) Write explanatory notes on the following terms as used in assets accounting:
- i. Goods on consignment (2marks)
ii. Patents (2marks)
iii. Franchise (2marks)
iv. Unpresented cheques. (2marks)
v. Asset restoration obligation. (2marks)