Scott Christian UNIVERSITY

SCHOOL OF PROFESSIONAL STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

UNIT CODE/NAME: BAA 300: ACCOUNTING FOR ASSETS

September- December 2019/2020 End Semester Exam - Time: 2 Hours

Instructions: Answer Question ONE (Compulsory) and any other TWO questions.

QUESTION ONE

a) Define an asset (2 Marks)

b) Explain the major characteristics of assets (6 Marks)

c) Citing examples, explain the **five** major categories of assets? (10 Marks)

d) There are essentially four key areas when accounting for property, plant and equipment that you must ensure you are familiar with, they include;

e) Construction of Kens Co's new store began on 1 April 2011. The following costs were incurred on the construction:

	shs000
Freehold land	4,500
Architect fees	620
Site preparation	1,650
Materials	7,800
Direct labour costs	11,200
Legal fees	2,400
General overheads	940

The store was completed on 1 January 2012 and brought into use following its grand opening on the 1 April 2012. Kens Co issued a Shs 25m unsecured loan on 1 April 2011 to aid construction of the new store (which meets the definition of a qualifying asset per IAS 23). The loan carried an interest rate of 8% per annum and is repayable on 1 April 2014.

Required: Calculate the amount to be included as property, plant and equipment in respect of the new store and state what impact the above information would have on the statement of profit or loss (if any) for the year ended 31 March 12. **(6 Marks)**

f) A company purchased a property with an overall cost of Shs 100m on 1 April 2011. The property elements are made up as follows:

	Shs 000	Estimated life
Land and buildings (Land element shs 20,000)	65,000	50 years
Fixtures and fittings	24,000	10 years
Lifts	11,000	20 years
	100,000	

Calculate the annual depreciation charge for the property for the year ended 31 March 2012. **(6 Marks)**

QUESTION TWO

a) Give brief descriptions of asset accounts **(5 Marks)**

b) Bora traders made the following transaction in the month of may 2010

3rd May: Import equipment worth Shs. 70,000 on credit from Bidii merchants.

17th May: Sold motor car to Moko traders worth shs.150, 000 on credit.

29th May: Sold fittings worth shs.60, 000 to Juma traders on credit for shs.80, 000.

30th May: Sold old portable kiosk worth shs.300, 000 to Nyabera stores on credit for shs.250,000.

Required:

Record the above transactions, in the Journal or General journal. **(10 Marks)**

QUESTION THREE

a) With examples define prepaid expenses **(2 Marks)**

b) In January 2011, Scot rented a building in Eldoret. The agreement provided the payment of shs.100, 000 per year payable in advance. The financial accountant wrote a cheque on 1st January, 2011 for three years rent.

Required:-

i) Show ledger entries in relation to the transaction **(4 Marks)**

ii) Show adjusting entries necessary as at 31st Dec, 2011 **(4 Marks)**

c) Define Unearned revenue as used in accounting for assets citing examples **(1 Mark)**

d) A computer expert charges his clients on annual basis, the annual charge for a computer service are shs.60, 000.On 1st January, 2010 he received a cheque from a client for two years future service.

Required:-

Ledger entries showing how the transactions should be reflected **(4 Marks)**

QUESTION FOUR

a) How do you treat Estimated Items in accounting for assets **(5 Marks)**

b) At the year ended 31st Dec 2010,the outstanding debtors in the books of Kayak Oil Kenya Limited stood at shs 450,000 .The experience indicates that 2% of the outstanding debtors may turn to be bad hence need for provision.

Required

i) Amount of provision to be provided. **(3 Marks)**

ii) Open the appropriate ledger accounts to show the adjustments. **(3 Marks)**

iii) Extract of financial statement to show the adjustment. **(4 Marks)**

QUESITON FIVE

a) What the Measurements of the elements of financial statements **(8 Marks)**

b) On 5th May 2010, Sungura traders sold goods worth shs 50 000 to Bora Enterprise on credit terms. On 31st Dec 2010, Bora enterprise was declared bankrupt hence could not settle its debts. **(7 Marks)**

Required

a) Bora account

b) Bad debts account.

c) Income statement extracts showing the charge of bad debts written off.