MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)
University Examinations for 2015/2016 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT SCIENCES

…….. SEMESTER EXAMINATION FOR DEGREE IN BACHELOR OF COMMERCE

BAC 200: ACCOUNTING FOR ASSETS

Date: 10/8/2016 **Time: 8:30 – 10:30 AM**

INSTRUCTIONS

Answer Question One and Any Other Two Questions

QUESTION ONE.

a) Assume that a layman requested you to explain the characteristics of bonds continue and do so. (10 marks)

b) Kati ltd invested in a Kshs 10,000,000 non interested bearing bonds with a discount factor of 12% prepare the journal interest for record these transactions. (4 marks)

c) Explain the various types of inventory. (5 marks)

d) Explain the conditions that must be satisfied for accounts receivable to be treated as a sale. (3 marks)

e) Explain the assumptions of accounting. (4 marks)

f) Explain the factors that cause fixed assets to depreciate. (4 marks)

QUESTION TWO.

Explain the qualitative characteristics of accounting (20 marks)

QUESTION THREE.

Assume that KG company ltd invested in a **shs 30,000,000, 8%,** term bond in **January 2011**. The invest being received annually each December 31st the maturity of the investment being **December 31st 2014**. The market risk of a bond 0f similar risk being **6%**

REQUIRED

Prepare journal entries to record the investment in bond (3 marks)

Bonds amortizations schedule using effective interest method (15 marks)

Journal entries to record interest received at the end of year 3. (2 marks)

QUESTION FOUR.

Assume that ziti ltd operates a fleet of motor vehicles on January 1st 2012 the company bought a motor vehicle KBK 204 Z worth Kshs 8,000,000 and on July 1st 2014 bought another KBM 100 C worth Ksh 6,000,000. The company bought another vehicle KBL 010 T on 1st September 2015 worth kshs 4,400,000 and on the same date sold KBK 204 Z at a price of Kshs 5,200,000 it's the policy of the company to use straight line method of depreciation and takes into account the fraction of the year.

REQUIRED

a) Motor vehicle account. (8 marks)

b) Provision for depreciation accounts (12 marks)

QUESTION FIVE

Assume that Zato ltd has opening inventory of 40,000 units and that the stock was valued at Shs 8,000, during the year 2014.

The following transactions took place during the year 2014.

Date	Purchases Units	Value Shs	Total 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)