PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

JANUARY-APRIL 2021

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: CAC 302

COURSE TITLE: ACCOUNTING FOR ASSETS

EXAM DATE:

QUESTION ONE (COMPULSORY) 10 MARKS

a. Explain the following as relates to dissolution of partnerships giving the double entries:
   i. Simple dissolution (4 marks)
   ii. Dissolution on account of insolvency of partners (3 marks)
   iii. Dissolution on sale to a Company (3 marks)

USE THE ILLUSTRATION BELOW TO ANSWER QUESTIONS TWO AND THREE

Grace Zindi runs a secretarial agency. Her financial year ends on 31st July. She provided the following information on 31st July 2015:

	Shs
Capital 1st August 2014	85,000
Cash drawings	15,500

Fees from clients		28,500
Wages		21,600
Rates and Insurance		3,900
General expenses		990
Heat and light		710
Commission recievable		7,600
Motor vehicle at cost 1st August 2014	12,500	
Provision for depreciation on motor vehicles 1st August 2014		4,500
Office equipment at valuation 1st August 2014		11,400

ADDITIONAL INFORMATION

1. At 31st July 2015
   Insurance prepaid amounted to shs. 300
   Commission receivable of shs. 250 was outstanding
   Fees from clients of shs.3,400 was outstanding
2. Grace Zindi lives in a flat above the business premises. One quarter of the rates and insurance relate to the flat.
3. On 31st july 2015 Grace Zindi decided to create a provision for doubtful debts of 1% of the amount owed by clients.
4. The motor vehicles are being depreciated by 20% per annum on the reducing balance method.
5. The office equipment was valued at shs. 14,500 on 31st July 2015. Additional office equipment costing shs. 6,900 was purchased during the year. No office equipment was disposed off during the year

QUESTION TWO 10 MARKS

Prepare the following accounts for both motor vehicle and office equipment (your workings should be shown clearly)

a) Motor vehicle
   i. Motor vehicle account (1 mark)
   ii. Provision for depreciation on motor vehicle account (2 marks)
b) Office equipment:
   i. Office equipment account (3 marks)
   ii. Provision for depreciation on office equipment account (4 marks)

QUESTION THREE 10 MARKS

a) Explain the accruals concept using the using Grace Zindi's illustration above. (2 marks)

b) Show proper calculations of prepayments and accruals on the following accounts (Grace Zindi's illustration):

i.	Insurance	(2 marks)
ii.	Commission recievable	(2 marks)
iii.	Fees fron clients	(2 marks)

c) Show how (b) above are recorded on the income statement and balance sheet. (2 marks)

QUESTION FOUR 10 MARKS

a) A business bought shirts on two separate occasions at two different prices during a month:

100 shirts at shs. 100

200 shirts at shs. 200

At the end of the month, the business had sold 50 shirts.

Use the inventory valuation methods below to calculate the value of closing stock at the end of the month:

i.	FIFO	(2 marks)
ii.	LIFO	(2 marks)
iii.	Weighted Average	(2 marks)

b) Discuss **two** advantages of using the weighted average method over FIFO and LIFO methods. (4 marks)

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QUESTION FIVE 10 MARKS

a) Define the term intangible asset as stated in IAS 38, giving relevant examples. (2 marks)

b) State the recognition criteria of intangible assets whether purchased or self-created under IAS 38. (4 marks)

c) IAS 38 notes that in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold, the revenue to be generated can be an appropriate basis for amortisation of the asset. State **two** examples where revenue to be generated *might* be an appropriate basis for amortisation.(4 marks)

QUESTION SIX 10 MARKS

Supriya and Monika are partners, who share profit in the ratio of 3:2. Following is the balance sheet as on March 31, 2014.

Balance Sheet of Supriya and Monika as on March 31, 2014

Liabilities	**Amount**	**Assets**	**Amount**
	Shs		**shs**
Supriya's Capital	32,500	Cash and Bank	40,500
Monika's Capital	11,500	Stock	7,500
Sundry Creditors	48,000	Sundry debtors 21,500 Less Provision for doubtful debts 500	21,000
Reserve fund	13,500	Fixed Assets	36,500

	105,500		**105,500**

The firm was dissolved on March 31, 2014. Close the books of the firm with the following information:

(i) Debtors realised at a discount of 5%,

(ii) Stock realised at shs.7,000,

(iii) Fixed assets realised at shs.42,000,

(iv) Realisation expenses of shs.1,500,

(v) Creditors are paid in full.

Prepare

i. The realization account (6 marks)

ii. Partners capital account (2 marks)

iii. Cash account (2 marks)