PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS LEADERSHIP BACHELORS OF COMMERCE

JANUARY-APRIL 2017

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: CAC302

COURSE TITLE: ACCOUNTING FOR ASSETS

EXAM DATE: THURSDAY 6th APRIL 2017

TIME: 9.00AM –12.00PM

INSTRUCTIONS

- This examination script consists of **EIGHT (8)** questions.
- Answer question ANY **SIX** Questions.
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

QUESTION ONE

(a) Distinguish between dissolution of a partnership and dissolution of a firm. (6 marks)

(b) Explain the concept of assets revaluation. (4marks)

QUESTION TWO

On 1st January 2016, Kin and Kith agreed to form a partnership, each contributing capital of Ksh 160, 000 and Ksh 140, 000 respectively which was paid into the firm's account. Further covenants were as follows:

(i) To allow 5% interest on capital

(ii) To apportion profit/loss in the ratio 1:2

(iii) To maintain fixed capital accounts

(iv) To charge 4% interest on drawings.

For the year 2016, the following drawings were made:

Kin- Ksh 250, 000; Kith- Ksh 200, 000.

The net profit as per profit/loss account for the year ended 31st December 2016 and before taking into account the stated adjustment was Ksh 424, 000.

Required

Prepare the profit/loss appropriation account for the partnership. (10 marks)

QUESTION THREE

(a) Distinguish the terms current assets and Non-current assets as used in accounting. (4 marks)

(b) Explain the significance of inventory valuation in a firm (6 marks)

QUESTION FOUR

The following information was extracted from the books of ABC Ltd as at 31st December 2016.

	Ksh"000"
Furniture	670
Buildings	6230
Cash in hand	895
Petty cash	47
Accounts receivable	2730
Plant and machinery	6350
Debtors	1905
Closing stock	3700
Bank overdraft	4000
Accounts payable	541
Creditors	1780
Capital	9228
Net profit for the year	648

Required

Prepare a balance sheet as at 31st December 2016 to show the accounting for the various assets. (10 marks)

QUESTION FIVE

Explain **three** approaches that may be used in the valuation of a company's inventory.

(10marks)

QUESTION SIX

(a) Explain each of the following terms as used in accounting practice, giving one example in each case:

(i) Tangible assets (2 marks)

(ii) Intangible assets (2 marks)

(iii) Capital expenditure (2 marks)

(iv) Revenue expenditure (2 marks)

(v) Provision (2 marks)

QUESTION SEVEN

a) Discuss asset valuation under the following headings:

i) Historical cost (2 marks)

ii) Replacement cost (2 marks)

b) Explain three reasons why companies charge depreciation (6 marks)

QUESTION EIGHT

a) Explain the term amalgamation as used in partnership. (4marks)

b) Describe THREE situations under which a partnership business can be dissolved

(6marks)