



# PIONEER INTERNATIONAL UNIVERSITY

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## UNIVERSITY EXAMINATIONS

**ACADEMIC YEAR:** 2021/2022

**UNIT NAME:** ACCOUNTING FOR ASSETS

**SEMESTER:** SEP-DEC 2021

**UNIT CODE:** ACCT 2110

**DATE:** DEC 2021

**TIME:** 2 HOURS

**Instructions:** Answer SECTION A (Compulsory) and Any Other Two Questions

### SECTION A 30 MARKS

1. Define conceptual framework of accounting and explain how it helps in solving financial problems. (5 marks)
2. Briefly explain the qualitative characteristics of accounting/financial statements (5 marks)
3. Explain the various Generally Accepted Accounting Principles (GAAPs). (8 marks)
4. ABC Limited had 400 units of inventory on 31.12.00 each valued at Sh.19. The following subsequent sales and purchases are made during the year ending 31.12.01.

Date	Units purchased	Units sold	Price per unit(Sh)
1 Jan	2000	-	20
2 Feb	1500	-	22.5
5 March	350	-	26
4 April	-	2400	-
9 April	1150	-	24
6 May	-	900	-
10 December	-	350	-

Required:

- a) Calculate the value of stock to be included in the balance sheet under the FIFO method of inventory valuation. (4 marks)
- b) Calculate the value of stock to be included in the balance sheet under the Weighted Average method of inventory valuation (4 marks)

Show how these would be represented in an income statement under the perpetual inventory system

**SECTION B (40 MARKS) Answer any Two Questions**

**Question 2**

- I. When accounting for inventory, a company may use either a perpetual or periodic inventory system. Briefly explain and distinguish between the accounting features of the two systems. [ 8 marks]
- II. "For accounting information to be useful, it should possess several specific qualities or characteristics". Identify and discuss the qualitative characteristic of accounting information. [ 12 marks]

**Question 3**

- a) Explain the benefit of debtor factoring to a business. (4 Marks)
- b) Malimali ship goods worth Kshs. 1,000 and the customer returns Kshs. 100 of unacceptable goods to Malimali within a few days. Malimali credit and discount term to the customer is 2/10, net 30. Malimali cost of good is 80% of the original selling price (before discount). The above transactions occurred on 1st June 2013. On 6th June 2013, the customer makes the payment. Journalize the above transactions. (5 Marks)
- c) Matunda Tyres sold its receivable to a financing company worth Kshs. 100,000. The finance company charges a factoring fee of 2% on the value of the receivable sold and another 8% as interest expense. The financing company could not recover Kshs. 2,000 and decided to write off the debt. Journalize the above transactions. (4 Marks)
- d) Differentiate between non-current and current assets, intangible assets and give two examples in each case. (4 Marks)
- e) Define long term and short-term investments and provide examples in each case. (3 Marks)

**Question 4**

ABC Ltd sales on credit and has the following receivables classified according to their age after the sale was made.

Age Category	Amount
Not due	120,000
1-30 days past due	180,000
31-60 days past due	90,000
61-90 days past due	70,000
91-120 days past due	65,000
Over 120 days past due	80,000
<b>TOTAL</b>	<b>605,000</b>

The company has estimated that 1.5%, 2.5%, 7%, 10%, 20% and 50% of the respective age category receivables would prove to be uncollectable. The provision for bad debts account shows a balance of Sh. 11,700 before this credit analysis was done. Prepare a journal entry to show the impact of this analysis on debtors and how they would be presented in the balance sheet. [ 12 marks]

B, Explain the two accounting principles used in recognition of debtors and in accounting for bad debts [ 8 marks]

**IMPORTANT NOTICE !!!!!!!!!!!!!**

**The following are the possible consequences if found guilty of an Examination Offence:**

**a) Expulsion from the University.**

**b) Academic Leave.**

