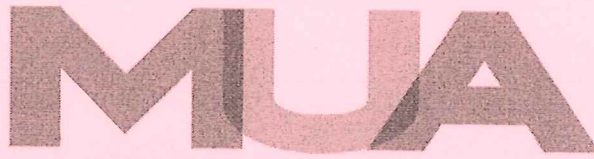


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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

**BCM 211: ACCOUNTING FOR ASSETS**

**DATE: 25<sup>TH</sup> MARCH 2025**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

## QUESTION FOUR

- (a) Describe two objectives of IAS 7 (Cash Flow Statements). (2 Marks)
- (b) The following are extracts from the financial statements of Wewe Ltd. As at 31 March:

	2021		2020	
	Sh.'000'	Sh.'000'	Sh.'000'	Sh.'000'
Fixed assets:				
Goodwill		2,800		2,900
Freehold land and building		16,800		12,000
Plant and machinery (NBV)		5,860		6,350
Investment at cost		<u>3,600</u>		<u>3,750</u>
		29,060		25,000
Current assets:				
	10,050		8,700	
Stocks	6,140		7,800	
Accounts receivable	1,710		840	
Investments	<u>200</u>		<u>430</u>	
Cash at hand and bank	<u>18,100</u>		<u>17,770</u>	
<b>Current liabilities</b>	(2,390)		(6,540)	
Bank overdraft	(5,850)		(5,250)	
Accounts payable	(450)		(380)	
Proposed dividends	<u>(820)</u>		<u>(600)</u>	
Taxation	<u>(9,510)</u>		<u>(12,770)</u>	
		<u>8,590</u>		<u>5,000</u>
Net current assets		37,650		30,000
		<u>(7,500)</u>		<u>(9,000)</u>
15% debentures		<u>30,150</u>		<u>21,000</u>
Capital and reserves:				
Authorised, issued and paid		18,000		15,000
<b>Sh.10</b>		<b>1,500</b>		<b>750</b>
Ordinary shares		4,500		-
Share premium		<u>6,150</u>		<u>5,250</u>
Revaluation reserve				
Retained profit				
		<u>30,150</u>		<u>21,000</u>

The profit and loss appropriation account for the year ended 31 March 2021 is given below:

	Sh.'000'	Sh.'000'
Net profit before tax		2,400
<b>Less:</b> Corporation tax		<u>900</u>
Profit after tax		1,500
Dividends:		
Interim (paid)	150	
Proposed (paid)	<u>450</u>	<u>600</u>
		<u>900</u>

The following additional information is provided:

- Profit for the year is arrived at after charging:

	Sh.'000'
Depreciation on plant and machinery	1,150
Goodwill amortisation	<u>420</u>

- During the year, plant with a net book value of Sh.750,000 was sold for Sh.1,470,000. The plant had originally cost Sh.3,000,000.
- The investments portfolio was reduced by selling one block of shares at a profit of sh.160,000.

**Required:**

Cash flow statement in accordance with IAS 7.

**(13 Marks)**

#### QUESTION FIVE

- In the context of IAS 11 (Construction contracts), briefly explain the meaning of the following terms:

- |                           |                  |
|---------------------------|------------------|
| (i) Construction contract | <b>(2 Marks)</b> |
| (ii) Fixed price contract | <b>(2 Marks)</b> |
| (iii) Cost plus contract. | <b>(2 Marks)</b> |

- b) ABC Ltd purchased equipment was purchased on 1.1.2010 at Sh.2,500,000. It is the policy of the company to depreciate it on a straight-line basis over 20 years. The company revalued the buildings on 31st December 2012 to Sh.2,000,000. Determine the loss on revaluation at 31.12.2012. **(4 Marks)**
- c) ABC Ltd had acquired equipment at Sh.1,000,000 at 1.1.2008 to be used for 20 years. The company depreciates equipment on a straight-line basis. It sold the equipment on 30th June 2012 at Sh.750,000. Determine the loss or gain on disposal. **(5 Marks)**

### QUESTION SIX

- a) Discuss any three factors considered in determining the present value of the lease receivables. **(6 Marks)**
- b) Ujenzi Limited are engaged in a number of long-term contracts. The following details relate to the three uncompleted contracts in the company's books at 31 August 2013.

Contract No.	X012 Sh.'000'	X022 Sh.'000'	X023 Sh.'000'
Cost of work to 31 <sup>st</sup> August 2003	1,218	1,091	545.6
Value of work 31 August 2003 as certified by contract architects	1,540	880	572
Progress payments invoice to 31 August 2003	1,320	704	440
Process payment received by 31 August 2003	1,100	704	440
<b>Final cost including future costs of rectification and guarantee work</b>	<b>1,672</b>	<b>1,232</b>	<b>3,520</b>
Final contract price			

Note 1: The cost of work to 31 August 2003 has been determined after crediting unused materials and written down for plant of use.

#### Required:

Prepare a contract account for Ujenzi Limited.

**(9 Marks)**