



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

BSCM

BPC 4209: Accounting for Assets and Liabilities in Supply Chains

END OF SEMESTER EXAMINATION

SERIES: APRIL 2022

TIME: 2 HOURS

DATE: 2022

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attempt question ONE (Compulsory) and any other **TWO** questions.

Do not write on the question paper.

Question ONE

- (a) Distinguish between the following terms
- i) Current and non-current assets (3marks)
 - ii) Current and non-current liabilities. (3marks)
 - iii) Accounts payable and notes payable (3marks)
 - iv) Committed and non-committed lines of credit (3marks)

b) Bridge Company Limited engaged in the following inventory transactions during the first six months of 2017.

Date	Transactions
January 20 th	beginning inventory of 10,000 units @ sh.5
February 10 th	purchased on account 5,000 units @ sh.6.50
March 15 th	sold on account 8,000 units @ sh.12

April 30th purchased on account 5,000 units @ sh.7
On June 30th 2017, 12,000 units were on hand.

Required:

Compute the ending inventory and cost of goods sold, applying each of the following inventory methods. (The company uses periodic inventory system).

- (i) Average (4marks)
- (ii) FIFO (5marks)
- (iii) LIFO (5marks)
- (iv) Distinguish between a periodic and perpetual inventory systems. (4marks)

Question TWO

On November 30, 2017 Kapendo Ltd shows a balance of sh. 42,000. The bank statement however shows a balance of sh.50, 000. After examination of the bank statement, the books, and the returned check, the accountant noted the following:

1. Check No.482 for sh. 12, 000 and check No 495 for sh. 8,000 are still outstanding.
2. A check for sh. 2,000 that was received from Mr. Gambo has "bounced". It has been returned with the bank statement and marked "NSF".
3. A deposit we made on November 29 for sh. 30,000 does not appear on the bank statement.
4. The bank charged us a sh. 100 service fee to handle the NSF check.
5. The bank charged us a sh. 150 monthly checking account fee.
6. Check No. 474 for sh. 850 was mistakenly charged by the bank for only sh. 580.
7. The bank collected a sh. 20, 000 notes for us and deposited the proceeds into our account.
8. The checking account earned sh. 300 interest during the month.
9. The bank mistakenly charged us for a check of sh. 320 which we never wrote. It was written by Stima Ltd.

Required

- a) Prepare a bank reconciliation statement for the month ending November 30, 2017. [8 marks]
- b) State five reasons for disparity between the bank statement and the company's cash book. (5 marks)
- c) Explain the importance of cash management in an organization. (7 marks)

Question THREE

- a) What is the function and primary focus of financial accounting? (4marks)
- b) Briefly explain the four key broad accounting principles that guide accounting practice. (8 marks)
- c) Discuss the following accounting assumptions: (4marks)
 - i) Economic entity (2marks)
 - ii) Monetary unit (2marks)

Question FOUR

- a) Sun-rise Ltd issues a 4-year, Sh.100, 000 bonds with a contract rate of 8% payable semiannually. The market rate is 10% payable semiannually.

Required:

- i) Compute the selling price of the bond and prepare a journal entry at issuance. (6marks)
- ii) Prepare an amortization schedule for the bond. (10marks)
- b) Explain any two types of bonds (4marks)

Question FIVE

a) ABC Ltd suppliers of health products, introduced a new therapeutic chair carrying a two year warranty against defects. During the month of December 2017, its first month of availability Wema sold Ksh.2million worth of chairs. Industry experience indicates the following probability distribution for the potential warranty costs.

Warranty cost	Probability
2018	
Ksh.	
50,000	20%
60,000	50%
70,000	30%
2019	
70,000	20%
80,000	50%
90,000	30%

An arrangement with a service firm requires that costs for the two-year warranty period be settled at the end of 2018 and 2019. The risk-free rate is 5%.

Required

- a) Applying the cashflow approach at the end of 2017, calculate the estimated warranty liability for both 2018 and 2019. (10marks)
- b) Explain any five current liabilities found in a business organization. (10marks)