



MOI UNIVERSITY

OFFICE OF THE DVC ACADEMIC AFFAIRS, RESEARCH AND EXTENSION

UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

SECOND YEAR END OF SEMESTER EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

EXAM CODE: BBM 213

EXAM TITLE: FINANCIAL ACCOUNTING

DATE: 24TH AUGUST, 2016 TIME: 9.00 A.M. – 12.00 NOON

INSTRUCTION TO CANDIDATES

➤ **SEE INSIDE**

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Additional Information:

- i. Depreciation is charged annually on the cost of fixed asset held at the end of the financial year at the following rates;

Freehold buildings	5%
Fixtures and fittings	20%
- ii. The debtors' balance includes sh.5, 000 due from John who has been declared bankrupt and it has been decided to write off the debt. ✓
- iii. The provision for doubtful debts is to be 5% of debtors ✓
- iv. Administration expenses accrued as at March 2012 amounted to shs. 4,000 PL ✓
- v. Further provision is to be made for directors' fees amounting to shs.10, 000 PL ✓
- vi. ✗ The company paid interest on the debentures for the year ended 31st March 2012 on April 15, 2012. PL *following yr*
- vii. ✓ Gross profit on sales is at the rate of 20% of sales
- viii. The company's directors proposed that the preference share dividend be paid and also a dividend of 10% on ordinary shares was also to be paid. ✓

Required

- a) An Income statement and statement of appropriation for the year ended 31st march 2012. (8 marks)
- b) Statement of financial position as at 31 March 2012 (7 marks)

*Bill sheet***(Total: 25 marks)****QUESTION TWO**

The following trial balance was extracted from the books of Mrkosgei, a farmer in Kesses as at 30 April 2016.

	Sh.	Sh.
Fixed assets		
Land	4,000,000	
Buildings	800,000	
Motor vehicles	1,780,000	
Farm implements	900,000	
Current assets		
Pesticides 1 May 2015	170,000	
Maize 1 May 2015	896,200	
Beans 1 May 2015	1,687,500	

*1651,000
- 2000
8250
5000*

*10/10 x
500
8/100 x 50,000*

PL 5

Accord.

Animal feed 1/ May 2015	300,700	
Debtors	520,800	
Cash in hand and at bank	1,160,100	
Purchases		
Livestock	2,000,000	
Pesticides	617,800	
Medicine	130,800	
Seeds	92,500	
Livestock fattening formula	220,000	
Sales		
Maize		3,200,900
Beans		1,430,000
Livestock		3,900,000
Crop expenses		
Labour	538,000	
Other direct expenses	118,000	
Livestock expenses		
Medicine	247,000	
Labour	128,800	
General expenses	71,400	
Creditors		798,300
Loan		3,800,000
Bank charges	20,200	
Capital		<u>3,270,600</u>
	<u>16,399,800</u>	<u>16,399,800</u>

You are given the following additional information:

(1)

Stocks as at 30 April 2016 were: <i>(closing)</i>	Sh.
Livestock	1,200,000
Maize	640,000
Coconuts	1,506,100
Pesticides	120,700

(2)

Drawings	Sh.
Livestock	42,800
Coconuts	19,100
Maize	33,700

(3) Depreciation is to be provided for at the rate of 20% and 10% per annum for motor vehicles and farm implements respectively on the book values. Buildings to be depreciated at 2% per annum on cost.

The following additional information is available:

1. Reserves for unexpired risks to be maintained at 100% of the net premium income.
2. Additional reserves of 10% on the said premium is also to be maintained.
3. Provision for taxation to be made for the year Sh. 912,450
4. Investment reserve to be increased by Sh. 225,000.

Required:

- (a) Revenue account for the year ended 30 April 2014. (8 marks)
- (b) The profit and loss account for the year ended 30 April 2014 (7 marks)

(Total: 15 marks)

QUESTION FOUR

The following are extracts from the financial statements of Uweso Ltd. As at 31 March:

	2015		2014	
	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:				
Stocks	10,050		8,700	
Accounts receivable	6,140		7,800	
Investments	1,710		840	
Cash at hand and bank	<u>200</u>		<u>430</u>	
	<u>18,100</u>		<u>17,770</u>	
Current liabilities				
Bank overdraft	(2,390)		(6,540)	
Accounts payable	(5,850)		(5,250)	
Proposed dividends	(450)		(380)	
Taxation	<u>(820)</u>		<u>(600)</u>	
	<u>(9,510)</u>		<u>(12,770)</u>	
Net current assets		<u>8,590</u>		<u>5,000</u>
		37,650		30,000
15% debentures		<u>(7,500)</u>		<u>(9,000)</u>
		<u>30,150</u>		<u>21,000</u>
Capital and reserves:				
Authorized, issued and paid Sh.10				
Ordinary shares		18,000		15,000
Share premium		1,500		750
Revaluation reserve		4,500		-
Retained profit		<u>6,150</u>		<u>5,250</u>

225,000

30,15021,000

The profit and loss appropriation account for the year ended 31 March 2015 is given below:

	Sh.'000'	Sh.'000'
Net profit before tax		2,400
Less: 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 plant and machinery	1,150
Goodwill amortization	420

- 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.

(15 marks)

QUESTION FIVE

Hazina Bank Ltd., a registered commercial bank, prepares its accounts to 30 June each year. The trial balance of the bank as at 30 June 2015 was as follows:

	Sh.'000'	Sh.'000'
Treasury bills	2,344,000	
Loans to customers	5,946,400	
Other money market placements	34,600	
Property, plant and equipment	1,008,000	
Cash and balances with the Central Bank	1,257,000	
Interest on loans		870,800
Interest on treasury bills and bonds		476,400
Foreign exchange income		144,000
Fees and commissions income		340,400
Deposits with other banks	230,000	

Other fixed assets	64,000	
Interest on placements and bank balances		72,000
Non-operating income		34,000
Customers' deposits		8,480,000
Deposits and balances due to other banks		430,000
Depreciation charges	84,000	
Directors emoluments	25,000	
Bad and doubtful debts	68,000	
Interim dividends paid	50,000	
Salaries and wages	590,000	
Interest on borrowed funds	70,000	
Interest on customers deposits	230,000	
Ordinary share capital		500,000
Auditors fees	7,000	
Contribution to staff pension scheme	29,000	
Administrative expenses	285,000	
Loss on sale of fixed assets	43,600	
Reserves		1,058,000
Legal fees	40,000	
	<u>12,405,600</u>	<u>12,405,600</u>

Additional information:

1. Current tax has been estimated at Sh.200,000,000
2. A final dividend of 15% has been proposed.
3. Unrecorded accrued interest expense on customers' deposits at 30 June 2015 was sh.70,000,000.
4. Interest income on loans and advances to customers of Sh.150,000,000 at 30 June 2015 was omitted from the books.

Required:

- (a) Income statement for the year ended 30 June 2015. (10 marks)
- (b) Statement of financial position as at 30 June 2015. (5 marks)

(These statements should be presented in accordance with IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions).

(Total: 15 marks)

QUESTION SIX

- (a) Define the following terms and explain how they are treated in the financial statements of an insurance company:

- | | |
|---|-----------|
| (i) Bonus in reduction of premium | (2 marks) |
| (ii) Surrender value | (2 marks) |
| (iii) Consideration for annuities granted | (3 marks) |
| (iv) Commission on reinsurance ceded. | (2 marks) |

(b) Identify with reasons, one party who may be interested in each of the following ratios:

- (i) Current ratio (2 marks)
- (ii) Net profit margin (2 marks)
- (iii) Stock turnover (2 marks)

Total marks (15)