



# **MURANG'A UNIVERSITY OF TECHNOLOGY**

## **SCHOOL OF BUSINESS AND ECONOMICS**

DEPARTMENT OF DEPARTMENT

UNIVERSITY ORDINARY EXAMINATION

2021/2022 ACADEMIC YEAR

**THIRD YEAR FIRST SEMESTER EXAMINATION FOR, BACHELOR OF  
COMMERCE**

**BCA 303: FINANCIAL REPORTING**

DURATION: 2 HOURS

**Instructions to candidates:**

1. Answer question One and Any Other Two questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

**SECTION A: ANSWER ALL QUESTIONS IN THIS SECTION**

**QUESTION ONE (30 MARKS)**

- a) Highlight any four objectives of farm accounting. (4 marks)
- b) Explain the difference in the use of the following in accounting for cooperatives;
- i) Economic reports (2 marks)
  - ii) Management performance report (2 marks)
  - iii) Appropriation account (2 marks)
- c) Briefly explain the following terms as used in accounting for professional firms.
- i) Office account (2 marks)
  - ii) Client account (2 marks)
  - iii) Work in progress (2 marks)
- d) Provide a brief explanation of the items requirement for disclosure in the published financial statements banks.
- i) Loans and advances (3 marks)
  - ii) Client account (3 marks)
- e) Differentiate between the following terms in accounting for royalties.
- i) Minimum rent and minimum rent (4 marks)
  - ii) Short working and sub royalties (4 marks)



### QUESTION THREE (20 MARKS)

3. The following trial balance was extracted from the books of Lina Insurance Company as at 31<sup>st</sup> December, 2020.

	Shs'000'	Shs. '000'
Net premiums - fire		53,816
Net premiums – motor		107,691
Unearned premiums (1 <sup>st</sup> January, 2020) – fire		36,018
Unearned premium (1 <sup>st</sup> January, 2020) – motor		72,037
Net Commissions paid – fire	1,733	
Net Commissions paid – motor	3,469	
Net claims paid- Fire	27,892	
Net claims paid- motor	55,781	
Net claims outstanding (1 <sup>st</sup> January, 2020) - Fire		36,018
Net claims outstanding (1 <sup>st</sup> January, 2020) - Motor		72,037
Management expenses (approved on basic of net premium)	77,554	
Other general management expenses	10,000	
Bad and doubtful debts	2,500	
Treasury bills	5,693	
Motor vehicles (NBV)	500	
Deposits in banks	237,050	
Equipment (NBV)	7,207	
Bank overdraft		8,000
Amounts due to other insurance companies		2,000
Amounts due from other insurance companies	3,470	
Share capital		60,000
Investments income		36,000
Other income		8,782
Revaluation income		25,000
Retained earnings (1 <sup>st</sup> January, 2020)		<u>15,000</u>
	<u>532,399</u>	<u>532,399</u>

#### Additional information

1. Management expenses to be charged to revenue account are to be apportioned on the basis of next premiums written.
2. Management made the following estimates as at 31<sup>st</sup> December, 2020.

	Sh. '000'
Unearned premiums - fire	20,000
- Motor	30,000
Net claims outstanding- fire	45,000
- Motor	79,000

Required

- a) Revenue accounts showing results for the fire and motor departments for the year ended 31<sup>st</sup> December, 2020. (6 marks)
- b) Income statement for the year ended 31<sup>st</sup> December, 2020 (7 marks)
- c) Statement of financial position as at 31<sup>st</sup> December, 2020 (7 marks)

**QUESTION FOUR (20 MARKS)**

The following balances were extracted from the books of Kenya Bank Limited as at 31<sup>st</sup> December, 2020.

	Shs ‘million’
Cash and other balances with central bank	7,439
Interest on loans and advances	3,197
Government securities	21,570
Interest on customer deposits	194
Loans and advances to customers	58,894
Interests on deposits and placements paid -----	33
Property and equipments	1,487
Other assets	16,200
Interests on placements received from banking institutions	66
Customer deposits	81,984
Borrowed funds	2,641
Other liabilities	4,211
Interests on government securities	430
Share capital	2,000
Reserves	8,347
Specific provision for bad & doubtful debts b/f	2,635
General provision for bad & doubtful debts b/f	150
Non-interest income	3,079
Staff costs	1,461
Other expenses	1,425
Liability for acceptance on behalf of customers	14,776

**Additional information**

1. An additional provision for non- performing loans and advances of sh. 1,259 million is to be made.
2. The general provision for bad and doubtful debts is to be maintained at 1% net loans and advances to comply with guidelines issued by central bank.
3. Provide for corporation tax at the rate of 30% on profit.
4. Provide for a final dividend of 30%.

**Required:**

- 1). Income statement for the year ended 31<sup>st</sup> December, 2020. (10 marks)
- 2). Statement of financial position as at 31<sup>st</sup> December, 2020. (10 marks)