



MURANGA UNIVERSITY COLLEGE
(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER EXAMINATIONS

**FOR THE DEGREE
OF
BACHELOR OF COMMERCE**

COURSE CODE: HBA2301

COURSE TITLE: FINANCIAL REPORTING

DATE: 15TH DECEMBER, 2015

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer THREE (3) questions

MRUC observes ZERO tolerance to examination irregularities

This Paper Consists of 5 Printed Pages. Please Turn Over.

**QUESTION ONE:**

- a) The following information relates to the government of Kusadikika for the year ended 30th June, 2009:

Receipts	Sh “ Billions”	Payments:	Sh “ Billions”
Receipts from trading activities	135	Interest Payments	3
Other receipts	15	Purchase of plant and Equipments	295
Income Tax	712	Wages, salaries and employee benefits	524
Proceeds from disposal of equipments	162	Repayment of borrowings	44
Property tax	55	Other payments	18
Grant and aid from international agencies	180	Supplies and consumables	865
Value added tax	441	Purchase of financial instruments	100
Proceeds from borrowings	20		
Other taxes	20		
Other grant and Aid	80		

Additional Information:

- Cash in hand 1st July, 2008 amounted to Sh. 15 billion
- Included in the payments for the year ended 30th June 2009 are payments financed through grants from international agencies and borrowings as follows (in Sh, Billions)
- Wages, salaries and employee benefits 34
- Supplies and consumables 155
- Purchase of plant and equipment 55
- Other payments 3
- Payments made by international agencies during the year ended 30th June, 2009 amounted to sh 152 billion. This amount is not included under receipts from “grant and Aid from international agencies” or receipts from other grants and aid”

Required:

Prepare Kusadikika’s consolidated statement of cash receipts and payments for the year ended 30th June, 2009 in conformity with International Public Sector Accounting Standard on Financial Reporting Under the cash basis of Accounting. (15 marks)

- b) Mishale Ltd leased a coal mine from Hand Ltd at a minimum rent of Sh.150,000 per annum on which royalty fees was payable at Sh.10,000 per tonne. There was a stipulation that short workings could only be recouped in the first three years of the lease. The outputs in the first four years of the lease were 8 tonnes, 13 tonnes, 21 tonnes and 18 tonnes respectively.

Required:

Show the entries to be made in the following accounts in the books of Mishale Ltd in the first four years.

Short workings A/C;

Royalties A/C,

Land Lord A/C

(9 marks)

- c) Give a brief description of, the following: (6 marks)
- Contingent Liability and its recognition in the books of accounts.
 - Exchange differences on settlement of monetary items and their recognition.
 - Rule of Garner and Murray in partnerships.

QUESTION TWO:

- Highlight the characteristics of the economic environment in a country which indicate the characteristics of hyperinflation. (5 marks)
- Waaminifu Retirement Benefit scheme has provided you with the following extracts of the trail balance for the year ended 31st October, 2012:

	Shs'000'	Shs '000'
Accumulated fund as at 1st November, 2011		461,560
Accrued Expenses		240
Administrative Expenses	2,840	
Cash and Demand Deposits	23,460	
Change in Market Value of Investments	22,640	
Lump sum Retirement benefits	4,820	
Contributions due in 30 days	4,940	
Normal Contributions by:		
Employer		36,480
Employees		18,240
Transfers in from other schemes		3,150
Individual transfers out to other schemes	1,860	
Investment Income		47,400
Immovable Property	132,320	
Government Securities(Long Term)	263,605	
Members Voluntary Contribution		4,560
Pension	7,640	
Equity Investments: Quoted	87,835	
Equity Investments: Unquoted	19,900	
Unpaid benefits		320
TOTALS:	571,950	571,950

Required:

- Statement of changes in net assets for the year ended 31st October, 2012 (8 marks)
- Statement of net assets as at 31st October, 2012 (7 marks)

QUESTION THREE:

- a) Jenga Contractors Ltd was awarded a contract "P" on 1st January, 2011. The contract price was fixed at Sh. 120,000million and the estimated total cost of the contract was sh. 105 million. The following information relates to the contract for the three years from 1st January, 2011 to 31st December, 2013 when the contract was completed.

	2011 sh "000"	2012 sh "000"	2013 sh "000"
Costs Incurred	20,000	42,000	32,000
Estimated Further costs	70,000	36,000	-
Billings to clients	30,000	50,000	40,000
Collections from clients	12,000	38,000	60,000
Administrative Expenses	2,000	2,500	1,000

Required:

For each of the years ended 31st December, 2011, 2012, and 2013 prepare extracts of financial statements using the percentage of completion method in line with IAS 11 (Long-term construction contracts) (13 marks)

- b) The following figures relates to the financial statements of Raha limited as at 31st December, 2014:

Property, plant and Equipment (PPE)	2,200,000
Inventory	60,000
Debtors	840,000
Cash	230,000
Creditors	1,530,000
Bank overdraft	400,000
Ordinary Share holders	1,400,000

Additional Information:

PPE was purchased on 1st January, 2010;
 Ordinary share holders were issued on 1st January,2010
 Inventory was bought on 30/06/2014
 Relevant general price indices are as follows:

1 st January, 2010	30 th June, 2014	31 st December, 2014
100	130	150

Required: Restate the above figures to their Current Purchasing Power (7 marks)

QUESTION FOUR

The following trial balance has been extracted from the books of Cerina insurance company as at 31st December, 2012:

	Fire	Motor
Net Premiums (CR)	53,816	107,691
Unearned Premiums as at 1st January, 2012 (CR)	36,018	72,037
Net Commissions paid (DR)	1,733	3,469
Net Claims paid (DR)	27,892	55,781
Net claim outstanding, 1st January, 2012 (CR)	36,018	72,037
	DR	CR
Management Expenses to be charged to revenue account	77,554	
Management Expenses not to be charged to revenue account	10,000	
Bad and Doubtful debts	2,500	
Treasury Bills	99,550	
Treasury Bonds	5,693	
Motor Vehicle: NBV	500	
Deposits in Banks	237,050	
Equipments: NBV	7,207	
Bank overdraft		8,000
Amounts due to other insurance companies	3,470	
Amounts due from other insurance companies		2,000
Share Capital		60,000
Investment Income		36,000
Other Income		8,782
Revaluation reserve		25,000
Retained Earnings as at 1st January, 2012		15,000

Additional Information:

- Management expenses to be charged to revenue account are to be apportioned on the basis of Net premiums.
- Management made the following estimates as at 31st Dec. 2012.

	Fire sh '000'	Motor sh '000'
Unearned Premiums	20,000	30,000
Net claims outstanding	45,000	79,000

Required:

- Revenue Accounts for the year ended 31st December, 2012 (6 Marks)
- Statement of Comprehensive Income for year ending 31st December, 2012 (7 Marks)
- Statement of Financial position as at 31st Dec, 2012 (7 Marks)