



MURANGA UNIVERSITY COLLEGE

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

TOWN CAMPUS

SUPPLEMENTARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

FOURTH YEAR SECOND SEMESTER EXAMINATIONS

FOR THE DEGREE
OF
BACHELOR OF COMMERCE

COURSE CODE: HBF 2402

COURSE TITLE: PENSIONS FINANCE

DATE:

TIME:

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory

Answer ANY OTHER TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities

This Paper Consists of 3 Printed Pages. Please Turn Over. ►

QUESTION ONE (COMPULSORY)

- a) Matunda ya Uzee is a state corporation operating in Kenya since 1998. The corporation established a trust based pension schemes for its members of staff the year 2010 and named it Matunda ya Uzee Staff Pension Scheme (MUSPS).
- Explain the term trust based pension schemes (2 marks)
 - Outline five (5) documents which MUSPS must have presented for registration. (5 marks)
 - MUSPS has a fund value of ksh. 73,000,000.00 ksh. Distributed as follows:

Type of Investment	Amount
Cash and Demand Deposits at Equity Bank Limited	4,891,000.00
Fixed and Time Deposits	6,570,000.00
Commercial Paper and Corporate Bonds	23,360,000.00
Preference Shares in Safaricom limited (Listed in the Nairobi Securities Exchange)	5,110,000.00
Ordinary Shares in StanlibCompany (Listed in the Nairobi Securities Exchange)	8,760,000.00
Offshore investments	-
Land in Kenya	14,000,000.00
Unit trusts in Kenya	4,309,000.00
Guaranteed Funds	6,000,000.00
Fund Value	73,000,000.00

Required:

With aid of calculations as per the RBA limits, comment on the compliance status of each type of investment undertaken by MUSPS. (23 marks)

QUESTION TWO

- Trustees must ensure that they understand the powers and duties vested in/imposed on them by the trust deed and rules and they must exercise only those powers and perform only those duties which are given to or required from them by the Trust deed and rules and the RBA Act. In this context, discuss five (5) duties of a trustee. (15 marks)
- Outline five (5) mandatory contents of the Administrator's report during the statutory quarterly meetings.

QUESTION THREE

- a) Explain four (4) laws to which occupational retirement benefit schemes are subject (8 marks)
- b) Briefly discuss the following terms:
 - i) Defined Benefit Schemes (2 marks)
 - ii) Defined Contribution Schemes (2 marks)
- c) Outline two (2) advantages and two (2) of each of the above:
 - i. To the sponsor (4marks)
 - ii. To the beneficiary (4 marks)

QUESTION FOUR

- a) Matthew Duncan Omollo was employed at the age of 30 years by Hayday Adventures as an Internal Auditor on 1st January 1975 under permanent and pensionable terms. Hayday Adventures Staff Pension Scheme is a defined contribution scheme. The following information is available:
 - i) Inward transfers into the scheme from previous employers amounted to ksh. 98,500. Matthew Duncan had already received his rightful share in full of the total contribution before the transfer.
 - ii) The starting salary for Matthew Duncan was ksh. 45,000 comprising ksh. 25,000 basic salary and ksh. 20,000 in other allowances.
 - iii) On 1st January 1985, Matthew Duncan was promoted to assistant accountant. His basic salary and other allowances were increased by ksh. 10,000 and ksh. 3,800 respectively.
 - iv) Upon completing the CPA exam on 1st January 2000, Matthew Duncan was promoted to the position of an accountant which he held to retirement. As a result, his basic salary was increased by ksh. 15,000 and other allowances by 5,600.

Required:

- i) Calculate
 - a. The amount that Matthew Duncan had received from the previous employer before the inward transfer in 1975 (2 marks)
 - b. The benefits that would have been payable to Matthew Duncan if he had opted to go on early retirement at the earliest age allowed by the Retirement Benefits Act in Kenya. (5 marks)
 - c. The benefits payable if Matthew Duncan died on 31st December, 2000 (3 marks)
 - d. the benefit payable to Matthew Duncan upon retirement (10 marks)