



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION

2017/2018 ACADEMIC YEAR

**THIRD YEAR FIRST SEMESTER EXAMINATION FOR THE BACHELOR OF
COMMERCE.**

BCA 303 – FINANCIAL REPORTING

DURATION: 2 HOURS

DATE: 11TH DECEMBER, 2017

TIME: 2.00 - 4.00 P.M.

Instructions to Candidates:

1. Answer **Question 1** 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 ONE - COMPULSORY

QUESTION ONE

- (a) Highlight four objectives of farm accounting as provided by IAS 41 (Accounting for farming activities) (4 marks)
- (b) Differentiate between a defined contribution plan and a defined benefit plan as describe in IAS 19/26 (Accounting for retirement benefit plans) (4 marks)
- (c) With regard to accounting for cooperatives:-
- i) Explain the meaning of an economic report (4 marks)
 - ii) Distinguish between the returns attracted by members shares and returns attracted by members loans (4 marks)
- (d) In accounting for banks:-
- i) Provide two features that distinguish the balance sheet of a commercial bank from a balance sheet of a trading organization (4 marks)
 - ii) Explain the meaning of “Letter of Credit guarantee” (2 marks)
- (e) Accounting for insurance firms is guided by the need to indemnify the insured in the event of a loss. In this regard:-
- Define the following terms:-
- i) Premium (2 marks)
 - ii) Claims Intimated (2 marks)
 - iii) Commission on re-insurance ceded (2 marks)
 - iv) Reserve for unexpired risk (2 marks)

SECTION TWO – ANSWER ANY TWO QUESTIONS

QUESTION TWO

Akiba Bora Pension scheme is a private post employment pension scheme. The following trial balance was extracted from the books of the scheme as at 31/12/2012

	Sh (000)	Sh (000)
Accumulated fund 1/11/2011)		4,122,500

Investment in mortgage	2,100,000	
Rental income		500,000
Interest (fixed return securities)		290,000
Pensions	195,000	
Treasury bonds	1,200,000	
Members' contributions		752,500
Administrative expenses	75,000	
Insurance	24,500	
Dividends received		252,500
Unit trusts investments	675,000	
Provident benefits	230,000	
Annuity benefits	7,500	
Cash at bank	17,500	
Investment (quoted shares)	828,000	
Investment (unquoted shares)	600,000	
Transfer by members to & from other schemes	2,500	37,500
	<u>5,955,000</u>	<u>5,955,000</u>

Additional information:

Pensions benefits not yet paid at 31/12/2012 amounted to Sh.79,000,000

Members contributions not yet received at 31/12/2012 amounted to Sh.84,150,000

Interest income not yet received as at 31/12/2012 amounted to Sh.14,250,000

Administrative expenses not yet paid as at 31/12/2012 amounted to Sh.750,000

Required:

Statement of changes in net assets for year ended 31/12/2012 (12 marks)

Statement of net assets as at 31/12/2012 (8 marks)

QUESTION THREE.

The following balances were extracted from the books of Mwananchi bank as at 31/12/2014

<u>Interest Income</u>	Shs.
Loans and advances	2,512,419
Government securities	545,508
Deposits and placement with other banks	196,711
Fees and commission income	883,253
Foreign exchange	147,376
Other incomes	2,031,859
Cash	3,015,005
Balances due from central bank	2,138,352
Government securities	13,542,935
<u>Interest Expenses</u>	
• Customer deposits	244,580
• Deposits and placement from other banks	2,630
• Others	247,315
Decrease in loans loss provisions	25,341
Staff costs	1,453,471
Director emoluments	16,097
Rental charges	181,867
Depreciation, property and equipment	357,508
Amortization	65,673
Other operating expenses	1,409,511

Income tax expenses	473,535
Deposits and balance from other banks	6,891,391
Loans and advances to customers	21,836,435
Investment properties	453,099
Property and equipment	2,602,876
Intangible assets	228,495
Other assets	2,420,657
Customers deposits	31,535,515
Balances and deposits due to other banks	53,323
Borrowings	4,521,390
Current tax payable	209,036
Other liabilities	1,893,316
Ordinary share capital	1,811,050
Share premium	10,543,037
Revaluation reserve	12,216
Retained earnings b/f	407,176
Loan loss reserve	252,906
Proposed dividends	543,387
Letters of credit guarantees & acceptances	2,758,326
Contingent liabilities	8,517

Required:

Statement of comprehensive income for year ended 31/12/2014

(10 marks)

Statement of financial position as at 31/12/2014

(10 marks)

QUESTION FOUR

(a) Explain four unique features that characterize the accounts of a farming enterprise. In each case provide a summary of the appropriate accounting treatment (8 marks)

(b) I.A.S 11 (Accounting for construction contracts) provides guidance for accounting in contracts that exceed one accounting period. Define the following terms as provided by the standard.

i) Architect's certificate (2 marks)

ii) Retention money (2 marks)

iii) Progress billing (2 marks)

In each case, briefly describe the accounting treatment of the items with respect to presentation in financial statements (6 marks)