



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

SUPPLEMENTARY / UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER EXAMINATIONS

**FOR THE DEGREE
OF
BACHELOR OF COMMERCE**

COURSE CODE: HBA 2305

**COURSE TITLE: BANKRUPTCY AND INSOLVENCY
ACCOUNTS**

DATE: 30TH JUNE, 2016

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

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

MRUC observes ZERO tolerance to examination irregularities

QUESTION ONE: This Paper Consists of 3 Printed Pages. Please Turn Over.

- a) Distinguish between a balance sheet and a statement of affairs. (10 marks)
- b) Explain in details, the functions of the official receiver in bankruptcy. (10 marks)
- c) Kamamu is insolvent. He has provided you with the information below regarding his financial status as at 31st March, 2016:

	Ksh
Creditors for goods	525000
Salaries secured	7000
Taxes due	21000
Bank Loan secured by lien on stock	175000
Cash in hand	1000
Furniture(expected to realize 35000)	70000
Stock (expected to realize 60%)	525000
Book debts(Good)	175000
Book debts (Doubtful, expected to realize 40%)	70,000
Bills receivable(Sh 52500)	87500
Bills discounted(Sh 35000 bad)	105000
Loan from Mrs Kamamu	175000

Required:

From the information above, prepare:

- Statement of affairs (6marks)
- Deficiency account (4 marks)

QUESTION TWO:

- a) Write short notes on the following:
- Liquidators' final statement of account (3 marks)
 - Liquidator remuneration (3 marks)
 - Deficiency account (2 marks)
- b) Describe the order of payments in the case of liquidation (6 marks)
- c) Explain THREE provisions in section 6(1) of the bankruptcy act on conditions to be fulfilled for a creditor to present a bankruptcy petition in a court of law (6 marks)

QUESTION THREE:

- a) What is a receiving order? (2 marks)
- b) Describe the events that follow immediately after a receiving order is made.(6 marks)
- c) Explain the meaning and the consequence of debtor's adjudication, (3 marks)
- d) Explain circumstances under which a bankrupt can apply for an order of discharge and its implication. (3 marks)
- e) Explain the role of a trustee and the circumstances under which a trustee can be discharged off his duties (6 marks)

QUESTION FOUR:

Differentiate between provable and non provable debts (4 marks)

Sharon and Jimmy operate a partnership firm, Jisha enterprises. They have filed their petition in bankruptcy. The following are the particulars of Jisha, as well as those of the firm as at 31st March, 2016.

	JISHA
ASSETS:	
Plant	800,000
Buildings	560,000
Furniture	80,000
Stock	800,000
Debtors	240,000
Cash	80,000
Total Assets	2,560,000
Capital:	
Jimmy	320,000
Sharon	240,000
Capital	
Creditors	1,200,000
Preferential creditors	80,000
Mortgage on buildings	320,000
Bank overdraft	400,000
Total Capital & Liabilities	2,560,000

Additional Information:

- Charge on Buildings: First charge: Mortgage
Second charge: Bank overdraft
- Realizable values on Assets (Figures in Ksh)

Buildings	440,000	
Plant	160,000	
Furniture	40,000	
Stock	320,000	
Debtors: Good	80,000	
Doubtful	80,000	
Bad	40,000	

Required:

Statements of affairs
Deficiency Accounts

(10 marks)

(6 marks)

