



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

**2019/2020 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER**

MAIN EXAMINATION

FOR THE DEGREE OF BACHELORS OF COMMERCE

COURSE CODE: BCA 311

COURSE TITLE: SPECIALISED ACCOUNTS

DATE: 17TH NOVEMBER 2020

TIME: 2.00PM-4.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question **One** from section **A** and Any other **Two Questions** from section **B**

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over.

SECTION A COMPULSORY
QUESTION ONE (30 MARKS)

- a) Explain the circumstances under which an entity should recognise a biological asset or agricultural produce in the context of International Accounting Standard (IAS) 41, Agriculture. (6mks)
- b) Give any four objectives of farm accounting for a farming enterprise.(4 mks)
- c) The following balances were extracted from the books of Shamba Ltd. as at 31 March 2018:

	Sh. 000
Mortgage from Rural Development Bank	36,000
Retained profits as at 1 April 2018	6,000
Ordinary share capital	163,200
Farm workers' wages	3,000
Manager's salary	3,600
Cash in hand	15,600
Receivables	18,000
Farm tools	1,500
Repairs to farm machinery	300
Staff welfare	600
Farmhouse expenses	720
Purchase of: Seeds	2,400
Livestock	6,000
Fertilizer	1,500
Livestock feeds	420
Wages: Livestock	9,600
Expenses: Crops Livestock	6,000
Administration expenses	7,380
Interest on mortgage	2,400
Inventories as at 1 April 2018: Growing crops,seeds and fertilizers	2,700
Livestock	12,000
Livestock feeds	15,000
General insurance premium	3,600
Payables	2,880
Bank balance	9,000
Sale of: Crops	(credit)1,800
Cattle	36,000
Carcasses	9,000
Farm machinery	46,800
Land and building	120,000

Additional information:

- i. Inventories as at 31 March 2019 were valued as follows:

	Sh. 000
Growing crops, seeds and fertilizers	6,000

Livestock	24,000
Livestock feeds	600

- ii. Manager's salary is charged to livestock and crop revenue accounts in the ratio of 1:3 respectively
- iii. Valuation of farm tools as at 31 March 2019 was Sh.1, 200,000. Depreciation on farm machinery is to be provided at 20% per annum on book value. Depreciation and repairs on farm machinery are to be charged to the general income statement.
- iv. Insurance prepaid amounted to Sh.240, 000 and is to be charged to the general income statement.
- v. Manure worth Sh. 180,000 was used in the farm while farm crops used to feed the livestock were valued at Sh.390, 000.
- vi. Bad debts of Sh.300, 000 are to be written off and an allowance for doubtful debts of 4% is to be provided.
- vii. Crops consumed by the farm workers were valued at Sh.600,000. This amount was recovered from their wages.
- viii. The shareholders provided farm labour valued at Sh. 1,200,000 while crops valued at Sh. 1,920,000 were donated to charity during the year.
- ix. Income tax expense of Sh. 1,800,000 is to be provided.

Required:

- i) Crop and livestock revenue accounts, for the year ended 31 March 2019. (10 mks)
- ii) General income statement for the year ended 31 March 2019.(5mks)
- iii) Statement of financial position as at 31 March 2019 (5mks)

SECTION B ANSWER ANY TWO QUESTIONS**QUESTION TWO (20 MARKS)**

- (a) Briefly explain the following terms as used in the accounts of professional practitioners:
 - (i) Office account (2 marks)
 - (ii) Client account (2 marks)
 - (iii) Costs charged to clients (2 marks)
 - (iv) Work-in-progress. (2 marks)
- (b) Given below is a trial balance extracted from the books of Onsando, a firm of practicing advocates as at 31 October 2019:

Onsando Advocates Trial Balance

	Sh.	Sh.
Capital account		204,000
Disbursements on behalf of clients	12,000	
Drawings	60,000	
Salaries	72,000	
Rent and rates	60,000	
Printing and stationery	35,000	
Postage and telephone	18,200	
Costs charged to clients		250,000
Work in progress on 1 November 2018	36,800	
Clients: for the moneys held on their behalf		24,800
Creditors		27,200
Debtors	78,000	
Sundry office expenses	8,500	

Furniture, fittings and library books	45,000	
Cash at bank:		
Clients' account	24,800	
Office account	<u>55,700</u>	
	<u>506,000</u>	<u>506,000</u>

Additional information:

- The uncompleted work on 31 October 2019 was valued at Sh.23,500.
- It is estimated that debts amounting to Sh.5,500 are uncollectible and should be written off.
- Depreciation should be provided at 20% per annum on the book value of the furniture, fittings and library books.

Required:

- Income statement for the year ended 31 October 2019. (6 marks)
- Statement of financial position as at 31 October 2019. (6 marks)

QUESTION THREE (20 MARKS)

- Briefly explain what differentiates a commercial bank statement of financial position with other mercantile firms. (4 marks)
- DDT Bank Ltd., a registered commercial bank, prepares its accounts to 30 June each year. The trial balance of the bank as at 30 June 2018 was as follows:

	Sh.'000'	Sh.'000'
Treasury bills	2,344,000	
Loans to customers	5,946,400	
Other money market placements	34,600	
Property, plant and equipment	1,008,000	
Cash and balances with the Central Bank	1,257,000	
Interest on loans		870,800
Interest on treasury bills and bonds		476,400
Foreign exchange income		144,000
Fees and commissions income		340,400
Deposits with other banks	230,000	
Other fixed assets	64,000	
Interest on placements and bank balances		72,000
Non-operating income		34,000
Customers' deposits		8,480,000
Deposits and balances due to other banks		430,000
Depreciation charges	84,000	
Directors emoluments	25,000	
Bad and doubtful debts	68,000	
Interim dividends paid	50,000	
Salaries and wages	590,000	
Interest on borrowed funds	70,000	
Interest on customers deposits	230,000	
Ordinary share capital		500,000
Auditors fees	7,000	
Contribution to staff pension scheme	29,000	

Administrative expenses	285,000	
Loss on sale of fixed assets	43,600	
Reserves		1,058,000
Legal fees	<u>40,000</u>	
	<u>12,405,600</u>	<u>12,405,600</u>

Additional information:

1. Current tax has been estimated at Sh.200, 000,000
2. A final dividend of 15% has been proposed.
3. Unrecorded accrued interest expense on customers' deposits at 30 June 2018 was sh.70, 000,000.
4. Interest income on loans and advances to customers of Sh.150, 000,000 at 30 June 2018 was omitted from the books.

Required:

- (a) Income statement for the year ended 30 June 2013. **(12 Marks)**
 (b) Statement of financial position as at 30 June 2013. **(4Marks)**

(These statements should be presented in accordance with IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions).

QUESTION FOUR(20 MARKS)

- a) Explain the meaning of the following terms as used in insurance business (2 marks)
- i. Bonus in reduction of premium.
 - ii. Surrender value
- b) Bima Insurance Ltd specializes in general insurance business. The following trial balance was extracted from the books of the company as at 31 October 2018.

Direct premiums received Marine		45,000
Fire		35,000
Re-insurance premiums received Marine		12,000
Fire		8,000
Re-insurance premiums paid Marine	8,000	
Fire	5,000	
Sundry debtors	7,300	
Bank balance and cash in hand	1,100	
Unearned premium as at 1 November 2017 Marine		48,000
Fire		25,000
Claims outstanding as at 1 November 2017 Marine		8,000
Fire		5,400
Claims paid Marine	24,700	
Fire	18,000	
Legal costs incurred on claims Marine	1,800	
Fire	1,300	

Survey expenses relating to claims Marine	3,200	
Bad debts Marine	1,700	
Fire	1,200	
Investment in shares	14,000	
Freehold property	42,000	
Motor vehicles net book value	35,000	
Machinery and equipment net book value	15,000	
Furniture net book value	13,000	
Audit fees	2,400	
Directors' fees	4,950	
Depreciation of fixed assets	9,050	
Management expenses Marine	6,500	
Fire	5,800	
Ordinary shares capital		30,000
Shares premium		10,000
Profit and loss account balance as at 1 November 2017		4,500
Premium outstanding as at 1 November Marine		9,000
Fire		7,000
	237,000	237,000

Additional information:

- i. Premium outstanding as at 31 October 2018 amounted to Sh. 15,000,000 and Sh 7,000,000 for marine insurance and marine insurance respectively.
- ii. Claims intimated and outstanding as at 31 October 2018 amounted to Sh 7,500,000 for marine and Sh 4,800,000 for fire insurance.
- iii. Unearned premium reserve for unexpired risks is maintained at 100% and 50% of the net premium for marine insurance and fire insurance respectively.
- iv. Commission on both the re-insurance ended and re-insurance accepted is at the rate of 5% of the premium.
- v. The directors have proposed a dividend of 10% on the outstanding share capital as at 1 October 2018. The tax rate applicable is 30%

Required:

- a) Revenue accounts for both marine and fire insurance for the year ended 31 October 2008. (6 marks)
- b) Profit and loss account for the year ended 31 October 2008. (6 marks)
- c) Balance sheet as at 31 October 2008. (6 marks)