



(*Knowledge for Development*)

**UNIVERSITY EXAMINATIONS**

**2021 / 2022 ACADEMIC YEAR**

**THIRD YEAR FIRST SEMESTER**

**SPECIAL AND SUPPLEMENTARY EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF BUSINESS  
ADMINISTRATION**

**COURSE CODE: BBA 311**

**COURSE TITLE: FINANCIAL REPORTING 1**

**DATE: 15<sup>TH</sup> NOVEMBER, 2022      TIME: 8.00AM - 10.00AM**

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**INSTRUCTIONS TO CANDIDATES**

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

**Question one (compulsory)**

- a) IAS 41 "Agriculture" provides guidance on how biological assets are to be accounted for in financial statements.

**Required:**

- i) Examine with reasons, the only acceptable measurement basis of biological assets in subsequent years. (4marks)
- ii) The IASB conceptual framework for financial reporting requires financial statements to be prepared on the basis that they comply with certain accounting assumptions and qualitative characteristics.

**Required:**

Demonstrate the meaning of the following assumptions or characteristics of accruals, going concern, materiality and comparability detailing how each applies to accounting of non-current assets. (6 marks)

Kopesha Ltd sells electronic equipment both on cash and installment basis. Hire purchase sales require a deposit of one-third of cash selling price with the balance payable in 18 equal monthly installments. No additional charge is made for the service. At the end of the year the company takes credit for the profit installment sales only in respect of the proportion represented by the deposit and installments actually received.

The following transactions took place during the two years ended 30 May 2019 and 2020.

	2019	2020
Cash sales	9,606,600	13,131,000
Installment sales	84,893,400	119,394,000
New TV sets purchased	69,300,000	75,119,700
Cash collection/installment contract: initial deposit	28,297,800	39,798,000
Monthly installments		
- 2019 sales	19,380,000	27,662,700
- 2020 sales		25,182,000
Stock at 30 May: New Tv sets at cost	16,380,000	21,604,500

**Required:**

- a) Trading account in respect of cash sales for each of the year ended 30 May 2019 and 30 May 2020 (10 marks)
- b) The gross profit on hire purchase for the two periods (10 marks)

**SECTION B**  
**Answer any Two questions**

**Question Two**

The following balances relates to Uchumi Bank Ltd as at 31 December 2017.

	Sh.(000)
Government securities	13,542,935
Balance due from central bank	2,138,352
Interest income: loans and advances	2,512,419
Government securities	545,508
Deposits and placements with other banks	196,711
Fees and commission income	883,253
Foreign exchange income	147,376
Other incomes	2,031,859
Cash	3,015,005
Interest expenses: customer deposits	244,580
Deposits and placements from other banks	2,630
Others	247,315
Decrease in loan loss provision	25,341
Staff costs	1,453,471
Directors emoluments	16,097
Rental charges	181,867
Depreciation of plant, property and equipment	357,508
Amortization	65,673
Other operating expenses	1,409,393
Income tax expenses	473,535

Deposits and balances due from other banks	6,891,393
Loans and advances to customers	21,836,435
Investment properties	453,099
Property & equipment	2,602,876
Tangible assets	228,495
Other assets	2,420,657
Customer deposits	31,355,515
Deposits and balances due to other banks	53,322
Borrowings	4,521,390
Current tax	209,036
Other liabilities	1,893,316
Ordinary share capital	1,811,050
Share premium	10,543,037
Revaluation reserve	12,216
Retained earnings brought forward	407,176
Loan loss reserved	252,906
Proposed dividends	543,387
Letters of credit guarantees and acceptance	2,758,326
Contingent liabilities	8,517

**Required:**

- i) Statement of comprehensive income for the year ended 31 December 2017 (10 marks)
- ii) Statement of financial position as at 31 December 2017 (10 marks)

### Question Three

Tom, a widower died on 31 January 2014 and by his will executed ten years earlier made the following bequest:

- a) To my brother George, my record collection.
- b) To my brother David on his wedding day sh. 50,000
- c) To my sister in law, my furniture and other personal chattels not otherwise bequeathed
- d) To my nephew Peter, a mini metro motor car
- e) To my niece Sandra, sh. 200,000 payable out of my account with Lukenya farmer's union
- f) To my nephew Timothy, sh. 100,000 in my deposit account at Trust Bank
- g) To my cousin Patrick, my 1,000 ordinary shares in Kakuzi Ltd
- h) To the All Saint cathedral sh. 100,000 for refurbishment of the choir stalls
- i) To each of my sons Edward and Francis sh. 1.5 m
- j) The residue of my estate on trust to provide an annual income for my daughter Barbra and Caroline until they marry and thereafter to my grandchildren in equal shares.

The following information is also relevant:

- i) George and Edward both predeceased Tom. Each had two children at the date of Tom's death.
- ii) David is a confirmed bachelor. He declares that having failed to get married while he was alive, Tom will not bribe me into marriage now he is dead.
- iii) Tom had three sisters-in-law, all of whom he saw regularly prior to his death
- iv) At the date of the will, Tom had owned Datsun car, two years ago, he had replaced it with a Toyota. He has never owned a Mini Metro car.
- v) The Lukenya Farmers Union account had been closed on 30 September 2013
- vi) On 31 January 2014, there was only sh. 72,000 in the deposit account at Trust Bank
- vii) Kakuzi Ltd had converted each of its sh.20 ordinary shares into 4 units of sh. 5 ordinary stock in October 2012. Tom owned exactly 4,000 units at the date of his death.
- viii) The choir stall at the All Saint Cathedrals had been refurbished fully previously and Tom had contributed sh.120,000 to the Refurbishment Fund.
- ix) Both Tom's daughters had married prior to his death and Tom had five grandchildren as at 31 January 2014, the eldest of whom was eight years of age.
- x) In addition to the assets specified above, Tom's estate also included freehold household together with cash totaling sh. 7 million after payment of debts and funeral expenses.

Required:

In relation to each bequest Tom's will, state the types of legacy referred to and explain whether or not the executors should give their assent to the gift (20 marks)

### Question Four

The following financial information relates to Almasi insurance company Limited for the year ended 31 December 2019.

Trial balance as at 31 December 2019

ITEM	DR (000)	CR (000)
Ordinary share capital		900,000
Revaluation reserves		375,000
Retained earnings		225,000
Unearned premium reserves (1 January 2019) –Fire		300,000
- marine		750,000
Net earned premiums:- Fire		1,047,510
-Marine		1,945,920
Net commission paid:-Fire	25,995	
-Marine	52,035	
Net claims paid: Fire	418,380	
marine	836,715	
Net claims outstanding (1 January 2019): Fire		540,270
-Marine		1,080,555
Management expenses	1,313,310	
Bad debts written off	37,500	
Treasury bills	1,493,250	
Treasury bonds	85,395	
Bank deposits	3,555,750	
Motor vehicle at net book value (1 January 2019)	7,500	
Equipment at net book value (1 January 2019)	108,105	
Amount due to other insurers		30,000
Amount due from other insurers	52,050	
Bank overdraft		120,000
Investment income		540,000
Other income		131,730
	7,985,985	7,985,985

Additional information:

- i) Management expenses are to be allocated to Fire and Marine businesses on the basis of net premiums earned. However, sh. 150 million of management expenses is to be charged to profit and loss account for the period.
- ii) Net claims outstanding as at 31 December 2019 were as follows:

	Sh.(000)
Fire	675,000
Marine	1,185,000

- iii) Depreciation on motor vehicles and equipment is to be provided on reducing balance basis at the rate of 20% and 10% per annum respectively.
- iv) Provisions for unexpired risks at 31 December 2019 are to be maintained at 50% and 80% of the respective net earned premiums for fire and marine businesses respectively.

Required:

- a) Revenue account for the year ended 31 December 2019 (8 marks)
- b) Income statement for the year ended 31 December 2019 (8 marks)
- c) Statement of the financial position as at 31 December 2019 (4 marks)

**Question Five**

- a) Juma and Oyando advocates have been in practice since 2010. The following financial information is available.

Statement of the financial position as at 31 March 2021.

Capital Account	Sh.(000)	Fixed assets	Sh.(000)
Juma	3,308	Furniture and Fittings	96
Oyando	3,000	Equipment	284
		Motor vehicle	1,504
		<b>Investment in shares</b>	<b>3,000</b>
	<b>6,308</b>		<b>4,884</b>
<b>Current liabilities</b>		<b>Current assets</b>	
Client's account	128	Outstanding fees	480
Accrued rent	136	Cash at bank office	1,212
Accrued salaries	132	Client	128
<b>Total</b>	<b>6,704</b>		<b>6,704</b>

Receipts and payments Accounts for the year ended 31 march 2021

Receipts	Sh.(000)	Payments	Sh.(000)
Fees for services rendered	3,552	Equipment	596
Client deposit for buying land	1,536	Drawings : Juma : Oyando	300 300
Client's deposit for criminal	1,296	Deposit on land purchase contract for client	920
Receipt from client for disbursement :		Transport	224
Stationery	48	Office rent	896
Transport	60	Postage and stationery	152
Miscellaneous	92	Motor vehicle expenses	392
		Water & electricity	140
		Office repairs	72
		Salaries and wages	960
		Miscellaneous expenses	208

Additional information:

- i) Depreciation is to be provided for on reducing balance at 12% for furniture , 15% for equipment and 25 % for motor vehicle.
- ii) Fees in arrears at year end were sh. 1,280,000. The advocates have agreed to create a reserve fund against the fees arrears.
- iii) Accrued expenses were:
  - Telephone sh. 20,000
  - Rent sh. 108,000
  - Salaries sh. 112,000
- iv) In the year the criminal case client was defended in court. The advocates have raised an interim fee note for sh. 500,000.but no entries have been made in the books.
- v) Disbursements for stationery sh. 20,000, transport sh. 12,000 and miscellaneous expenses sh. 4,000 have been charged to the client's account.

**Required:**

- a) The advocates income and expenditure account for the year ended 31 March 2021 (6 marks)
- b) The client's Accounts for the period (6 marks)
- c) The statement of the financial position as at 31 March 2021 (8 marks)