KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

BAC 302: ADVANCED FINANCIAL ACCOUNTING II

DATE: Thursday 11th May 2017 **TIME: 11.00a.m-1.00p.m**

INSTRUCTIONS:

Answer ALL the questions

Question ONE

a) Explain the following terms as per IAS 26(Accounting and Reporting by Retirement Benefit Plans).

i) Defined contribution plans (2 marks)

ii) Defined benefit plans (2 marks)

iii) Contribution pension scheme (2 marks)

iv) Non-contributory pension scheme (2 marks)

b) The following balances were extracted from the pension scheme of Utopia Fund for the year ended 30th June 2016.

	DR Sh 'million'	CR Sh 'million'
pension payment during the year	386	
refunds to members	63	
Payment of management expenses	24	
Members contributions		850
Interest on investments		1007
Provision for loss in foreign investment (30th June 2015)		980
Investment account	37,006	
Employer's contribution		10
Fund Account (30th June 2015)		36,000

*INVOLVEMENT IN ANY EXAMINATION IRREGULARITY SHALL LEAD TO **DISCONTINUATION***

Bank	1,368	
	38,847	**38,847**

Additional information:

i) Payment due to members but not yet paid amounted to sh. 36.6 million

ii) A cheque in respect of interest on investment amounting to sh. 36 million receivable by the fund as at 30th June 2016 was received on 15th July 2016.

iii) Employers contribution amount to 2% of the total members contributions for the year.

iv) 25 members were late in paying their contributions of 1.2 million per member.

v) The provision for loss in foreign investment is to be adjusted to sh780 million.

Required:

The statement of changes in Net Assets for the year ended 31st December 2016 and a Statement of Net Assets as at 31st December 2016 in accordance with International Accounting Standard 26 (Accounting and Reporting by Retirement Benefit Plans). (12 Marks)

Question Two

a) The following information relates to Docks Limited as at 31st December 2015.

	Shs'000'
Turnover including VAT	4,280,000
Share of associates	208,000
Deferred tax	150,000
Wages	500,000
Dividend	120,000
Depreciation	150,000
Investment income	80,000
Interest	40,000
Material and services	2,582,000
NHIF	20,000
Retained profit	296,000
Grant (government)	10,000
Income tax	280,000
VAT	200,000
Minority interest	160,000

Required:

Value Added Statement as at 31st December 2016 (10 marks)

Question Three

a) Explain four benefits of Social responsibility Accounting. (4 marks)

b) Define inventory as per International Accounting Standards (IAS 2) (2 marks)

c) Explain four differences between an internal reconstruction and an external reconstruction. (4 marks)

d) As per International Accounting Standard (IAS 36), define the following terms:

(i) Carrying amount (2 Marks)

(ii) Cash generating unit (2 Marks)

(iii) Value in use (2 Marks)

(iv) Fair value less costs to sell (2 Marks)

(v) Recoverable amount (2 Marks)

Question Four

The following financial statements relate to H Ltd, S Ltd and A Ltd for the year ended 31st December 2016 are given below:

Income for the year ended 31st December 2016

	H Ltd	S Ltd	A Ltd
	Sh '000'	Sh '000'	Sh '000'
Turnover	40,000	20,000	10,000
Cost of sales	(16,000)	(8,000)	(4,000)
Gross Profit	24,000	12,000	6,000
Administrative and selling expenses	(10,000)	(4,000)	(2,800)
	14,000	8,000	3,200
Dividends - S Ltd	2,400	-	-
- A Ltd	360	-	-
Profit before tax	16,760	8,000	3,200
Tax	(6,000)	(3,200)	(1,200)
Profit after tax	10760	4,800	1,920
Proposed dividends	(4,000)	(3,000)	(1,200)
Retained profit for the year	6,760	1,800	720
Retained profit brought forward	16,000	12,000	6,000
Retained profit carried forward	22,760	13,800	6,720

Statement of financial position as at 31st December 2016

	H Ltd	S Ltd	A Ltd
Fixed Assets:	Sh '000'	Sh '000'	Sh '000'
Tangible assets	20,000	18,000	12,000
Investments			
S Ltd	16,000	-	-
A Ltd	2,000	-	-
	38,000	18,000	12,000
Current Assets:			
Inventory	4,800	6,800	1,200
Trade receivables	10,000	6,000	1,600
Dividend receivable	2,760	-	-
Cash at bank	6,000	2,520	400
Current Liabilities:			
trade payables	10,800	4,520	3,280
proposed dividends	(4,000)	(3,000)	(1,200)
Net Assets	**46,760**	**25,800**	**10,720**
Share capital:			
Ordinary shares of sh 20 each	24,000	12,000	4,000
Retained profits	22,760	13,800	6,720
	46,760	**25,800**	**10,720**

Additional information:

i) H Ltd holds shares of S Ltd and A Ltd at the percentage of 80% and 30% respectively.

ii) The reserves of S Ltd and A Ltd were sh 8,000,000 and sh 2,000,000 respectively at the time of acquisition by H Ltd.

Required:

a) Consolidated income statement for the year ended 31st December 2016 (10 marks)

b) Consolidated statement of financial position as at 31st December 2016 (10 marks)