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UNIVERSITY EXAMINATIONS

2023/2024 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA 311

COURSE TITLE: SPECIALIZED FINANCIAL ACCOUNTING

DATE: 14.12.2023

TIME: 2.00 – 4.00 PM

INSTRUCTIONS TO CANDIDATES

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

TIME: 2 HOURS

QUESTION ONE

- a) Explain four advantages the farmers may gain by adopting and implementing farm accounting and proper record keeping as a standard practice 4marks
- b) Explain four objectives of Farm Accounting according to IAS 41. 8 marks
- c) The following information relates to Wafula farm accounts for the year ending 31st December 2017.

	Opening stock (Shs)	Closing stock(Shs)
Crops	4,000	5,000
Growing crops	3,000	4,500
Seeds	2,000	2,500
Cattle	75,000	105,000
Cattle food	10,000	5,500
Poultry	9,000	13,500
Poultry food	1,000	2,000
Fish	2,000	3,200
Fertilisers	5,000	3,000

Purchases during the year were:

Poultry	Sh. 15,000
Seeds	1,500
Cattle	40,000
Fish	1,000
Cattle food	14,000
Fertilisers	3,500
Poultry food	3,000

Drawings by the owners were:

Butter	Sh. 400
Milk	2,500
Eggs	500
Vegetables	600
Poultry	200
Fish	100
Fruits	300

Sales during the year were:

Butter	Sh. 1,500
Milk	9,000
Eggs	13,000
Crops	21,000
Flowers	1,500
Fruits	4,000
Cattle	36,000
Poultry	14,000
Fish	6,000
Vegetables	5,000

General expenses during the year

Were:

Wages	23,500
Insurance	1,500
Depreciation	2,000
Repairs	1,200

18marks

Required:

Prepare the relevant farm accounts

SECTION B (CHOOSE ANY TWO QUESTIONS)

QUESTION TWO

a) The following balances were extracted from the books of Nasongo Bank as at 31 December 2021.

Shs '000	Shs '000	
40,000		Interest on loans
15,000		Interest on overdrafts
35,000		Discounts earned on bills discounted
100,000		Reserve fund
87,500		Share premium
22,500		Commission exchange & brokerage received
825		General charges recovered
81,330		Profit and Loss B/F
150,000		Ordinary share capital
958,000		Current account deposits
146,500		Savings A/C deposits
353,500		Fixed deposits
183,000		Deposits from other banks
9,685		Sundry Creditors
350,000	350,000	Acceptances & endorsements
	500,000	Investment in government securities
	249,500	Investment in Shares
	22,500	Furniture & Fixtures (BV)
	540,000	Loans
	121,500	Overdrafts
	496,500	Bills discounted (and purchased)
	18,000	Interest paid on deposits
	1,500	Exchange and commission paid
	5,500	Stationery & advertising
	5,000	Miscellaneous expenses
	37,500	Salaries & wages
	52,500	Land & Buildings
	10,340	Cash in hand and with CBK
	100,000	Balances with other banks
	22,500	Money at call and at short notice
	<u>2,532,840</u>	

Notes:

1. Provision is to be made as follows:

- a) Provision for doubtful debts – Sh1,500,000
- b) Provision for taxation (corporate) at 35% of net profit
- c) Provision for depreciation on furniture and fixtures at 20% on written down value

2. Rebate on discounted bills amounted to Sh2,500,000 as at 31 Dec 2021

3. The directors require the bank's investment in shares to be shown in the balance sheet as market value on 31 Dec 2021 – which was Sh250, 000,000.
4. Liability on bills rediscounted is Sh385,000
5. Liability in respect of forward exchange contracts outstanding is Sh5,200,000
6. Interest earned on investments, but not yet received is Sh13, 125,000.

Required:

- 1) Income statement for Nasongo bank for the year ended 31 Dec 2021; (10 marks)
- 2) Statement of Financial position as at 31 Dec 2021. (10 marks)

QUESTION THREE

- a) Explain five differences between hire purchase and lease. (10 marks)
- b) Explain the following terms as used in accounting:
 - I. Actuarial method 2 marks
 - II. Endowment policy 2 marks
 - III. Unearned premium 2 marks
 - IV. Minimum lease payments 2 marks
 - V. Farm accounts 2 marks

QUESTION FOUR

The following balances appeared in the books of Maisha Marefu Assurance Society Ltd on 31 March 2019.

	Sh
Claims paid during the year (Less re-assurance): by death	2,200,000
: by maturity	1,500,000
Annuities	6,000
Furniture and office equipment -BV (including Sh40,000 bought during the year	250,000
Printed Stationery	77,000
Bank Current Account	1,350,000
Cash and stamps in hand	30,000
Surrenders less reassurances	40,000
Commissions	250,000
Expenses of management	3,100,000
Sundry deposits with electricity companies, etc.	500
Advance payment of income tax (yearend)	50,000
Sundry debtors	50,000
Agents' balances	100,000
Income tax paid	450,000
Tax on interest, dividends and rents	500,000
Loans on mortgages	150,000
Loans on policies	3,250,000
Investments (including Sh250, 000 deposited with CBK)	52,000,000
House property at cost (including Sh85, 000 added during the year)	<u>5,400,000</u>

	<u>70,754,000</u>
Life Assurance Fund B/F	50,000,000
Premiums less reassurances	15,000,000
Claims less reassurances at beginning of year: Death	900,000
: Maturity	600,000
Credit balances pending adjustment	60,000
Consideration for annuities granted	2,000
Interest dividends and rents	1,800,000
Registration and other fees	2,000
Sundry deposits	100,000
Taxation provision (at beginning of year)	300,000
Premium deposits	1,150,000
Sundry Creditors	350,000
Contingency reserve	150,000
Furniture/Equipment depreciation A/C	40,000
Building depreciation A/C	<u>300,000</u>
	<u>70,754,000</u>

Additional information

- a) Claims less reassurances outstanding at year end: By death 600,000
: By maturity 400,000
- b) Management expenses outstanding – Sh60,000; prepaid – Sh15,000
- c) Provide Sh45, 000 for depreciation of buildings, Sh15, 000 for depreciation of furniture and equipment, and Sh110, 000 for taxation.
- d) Premium outstanding Sh2, 028,000; commission thereon Sh65, 000.
- e) Interest, dividends and rent accrued and outstanding 380,000.
- f) The society holds sh120, 000 government securities (not included in the above balances) deposited by chief agents as security.
- g) Interim bonus paid during the year was Sh15, 000.

Prepare

- i) Revenue A/C for the year ended on that date (10 marks)
- ii) Statement of financial position as on 31 March 2019 (10 marks)

QUESTION FIVE

- a) Ken LTD acquired 2 new computers on 1 Jan. 2020 for kshs.129, 150. The cash price of these units was Kshs. 90,000. The deal was financed by Omba (financing) Ltd., and the terms of the hire purchase contract required a deposit of kshs.30, 000 on delivery, followed by 3 instalments on 31 Dec. 2020, 2021 and 2022 of kshs.33, 000, kshs.33, 000, and kshs.33, 150 respectively. The true rate of interest was 30% per annum. Depreciation is to be charged on computers at 20% per annum, using straight line method while interest is apportioned on reducing balance method and interest is recognized on installment basis.

Required:

Prepare the appropriate accounts in the books of Ken Ltd to record the above transactions.
(10 marks)

- b) Explain five types insurance categorized on the type of risk occurrence. (10 marks)