



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATION
2022/2023 ACADEMIC YEAR
SECOND YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS.
BACHELORS OF COMMERCE/EDUCATION
ARTS**

**COURSE CODE: BCM 2104
COURSE TITLE: FINANCIAL ACCOUNTING I**

DATE : 14TH DECEMBER, 2022 **TIME : 1100-1300**

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INSTRUCTIONS TO CANDIDATES

Answers question one and any other two.

Question one

ABC farmer Ltd, extracted the following trial balance as at 31st October,2022

	Sh “000”	Sh “000”
Crop insurance	480	
Stocks as at 1 st November,2021:		
Growing crops, wheat, seeds and fertilizers	2000	
Livestock	2500	
Livestock feeds	600	
Land and building at cost	20,000	
Farm machinery (cost sh 5,400,000)	7,800	
Profit and loss account balance (1 November 2021)		1000
Loan from farmers’ bank ltd		6000
Sale of wheat		3500
sale of cattle		6000
Sale of carcass		1500
Manager’s personal account		200
Bank overdraft		300
Sundry creditors		1500
Interest on loan from farmers bank ltd	<u>500</u>	
Office expenses	400	
Crop expenses	1000	
Livestock wages	1600	
Other livestock expenses	1230	
Purchase of seeds	400	
Livestock purchases	1230	
Livestock feeds purchased	70	
Capital		27,000
Farm house expenses	120	
Staff meals	50	
Repairs to farm machinery	100	
Tools and implements (1 st November,2021)	250	
Sundry debtors	3000	
Cash in hand	2600	
Manager’s salary	600	
General farm labour wages	<u>500</u>	
	<u>47,000</u>	<u>47,000</u>

Additional information

- 1 The entire crop insurance was taken with effect from 1st November 2021 to provide an annual risk cover against crop losses due to climatic risk such as floods, drought and plant diseases.
- 2 Manager’s salary and staff meals are charged to the livestock and crop activities in the ratio of 1:4 respectively
- 3 Depreciation on tools and implements is to be apportioned equally between the crop and livestock activities. The book value of tools and implements as at 31st October ,2022 was sh 200,000

- 4 Provision for doubtful debts is to be maintained at 8% of the year and debtors and bad debts of sh50,000 are to be written off.
- 5 Farm machinery is to be depreciated at the of 20% per annum on cost
- 6 crops consumed by some of the farm laborer's during the year ended 31st October,2022 were valued at Sh 100,000
- 7 During the year ended 31st October,2021, ABC Ltd family members provided general farm labour's valued at Sh 200, 000. The family also consumed crops valued at Sh 320,000
- 8 The loan from farmers' bank ltd was obtained on 1st January 2022 and was to be repaid in fully by the end of the fifth year. Interest was to be paid semi-annually on 30th June and 31st December at the rate of 15% per annum. The entire loan was on crop activities.
- 9 Assume that there were no transfers of inputs between the main activities of crop farming and livestock farming
- 10 Stocks as at 31st October 2022 were as follows.

Sh "000"

Growing crops	340
Wheat, seeds and fertilizers	600
Livestock	4000
Livestock feeds	100

Required

- a) Crop and Livestock account for the year ended 31st October 2022 **(7 marks)**
- b) General profit and loss account for the year 31st October 2022 **(5 marks)**
- c) Statement of financial as at October 202 **(3 marks)**

Question Two

The following trial balance was extracted from the book of Zuraya Bank ltd for the year ended 31 march 2022

	Shs "000"	Shs "000"
Interest income- loan and advances		42,462
-Government securities		5,918
- Placement with other Bank		872
Interest Expenses -Customer deposit	16,064	
-Placement from other Bank	594	
Fee and commission income		2,910
Foreign exchange trading		2,594
Operating expenses	12,236	

Loan impairment loss	1,998	
Cash with Central Bank	34,340	
Government Securities	55,388	
Financial Asset	60,000	
Loan and advances	238,400	
Property, Plants and equipment	17,848	
Intangible asset	776	
Placement with other Bank	16,800	
Borrowed funds		9,144
Customer deposits		324,600
Retirement benefit liability		350
Placement with other Bank		2,130
Share Capital		8,400
Share premium		7,160
Retained profits		47,866
	<u>454,406</u>	<u>454,406</u>

Additional information

- Interest expenses accrued on customer Deposit not accounted for amounted to sh 300 million while interest on loan and advances of sh. 544 million had not been recorded
- Financial assets are classified as follows

	Book valued	Fair valued
	Sh. "000"	Sh. "000"
Held for trading	36,400	44,000
Available for sale	23,600	24,000

- A further allowances on loan losses amounting to sh. 97 million to be provided.

Required

- Statement of comprehensive income for the year ended 31 march 2022 **(8marks)**
- Statement of financial as at 31 march 2022. **(7marks)**

Question Three

Ging Ltd is undertaking a project to construct a shopping mall which commenced on April 2019. The project was expected to take three years to complete with fixed price of shs 600 million. The details of the cost incurred during the years ended 31st March 2020 are as follows.

	Shs "000"
Actuarial and engineering	8
Site excavation cost	30
Construction materials	90
Depreciation on site equipment	15
Environment impact assessment	2
Site labour cost	16
Total	161

Additional

- i) The estimated additional cost to complete the project is 279 million
- ii) A billing certificates invoice to date amount to 155 million
- iii) The progress cash received to date is 140 million
- iv) The management is certain that the project will be completed on time.

Required

- i) Estimate of percentage of completion of the project **(3marks)**
 - ii) Extract of the income statement for the year 31st March 2020. **(3marks)**
 - iii) Extract of the financial statement ended 31st March 2020. **(4marks)**
- b) Discusses five features of Contract accounting according to IAS 11 **(5marks)**

Question Four

The following trial balance was extracted from the books of Riba Insurance Ltd as at 31st July 2022

		Sh"000"	sh "000"
Premiums outstanding (1 st August 2021)	-marine	8,640	
	-fire	6,720	
Retained profits (1 st August 2021)			4,320
Share premium			9,600
Ordinary share capital			28,800
Investment income			2,688
Accounts payable			3,168
Management expenses: -marine		6,240	
	-fire	5,568	
Depreciation on non-current assets		8,688	
Directors remuneration		4,752	
Audit fees		2,304	
Freehold property		40,320	
Motor vehicles (net book value)		33,600	

Equipment and computers (net book value)	14,400	
Furniture and fittings (net book value)	12,480	
Financial assets	13,440	
Bad debts written off: -marine	1,632	
-fire	1,152	
Survey expenses on claims -marine	1,845	
-fire	1,227	
Legal cost: -marine	1,728	
-fire	1,248	
Claims paid: marine	23,712	
Fire	17,280	
Claims outstanding (1 st August 2021) -marine		7,680
-fire		5,184
Unexpired premiums (1 st August 2021) -marine		46,080
-fire		24,000
Cash and bank balances	1,056	
Accounts receivable	7,008	
Direct premiums received: -marine		43,200
-fire		33,600
Re-insurance received -marine		11,520
-fire		7,680
Re-insurance premiums paid -marine	7,680	
-fire	<u>4,800</u>	
	<u>227,520</u>	<u>227,520</u>

Additional information: Additional information

1. Premium outstanding as at 31st July 2022 amounted to sh 14,400,000 and sh 6,400,000 for marine and fire insurance respectively.
2. Reserve for unexpected premiums should be maintained at 100% and 50% of the net premium for marine and fire insurance respectively.
3. Claims intimated and outstanding as at 31st July 2022 amounted to sh 7,200,000 for marine and sh 4,608,000 for fire insurance
4. Commission on both re-insurances ceded and re-insurance accepted is at the rate of 5% of the premiums.
5. Provisions are to be made for the following:
Taxation sh 4,152,000

Ordinary dividend of 5%

6. Depreciation comprise of:

Motor vehicles sh 4,120,000

Equipment and computers sh 2,168,000

Furniture and fittings sh 2,400,000

Required

i) Marine and fire insurance revenue accounts for the year ended 31st July 2022

(9 marks)

ii) Statement of comprehensive income for the year ended 31st July 2021 **(6 marks)**

iii) Statement of financial position as at 31st July 2021 **(5 marks)**

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