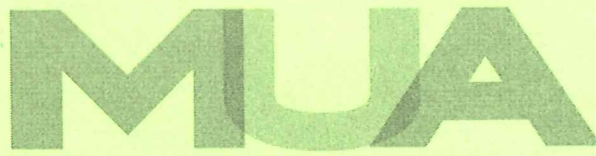


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

ACC 313 : FINANCIAL REPORTING

DATE: 9TH AUGUST 2024

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

The following is the Trial balance of Solomonikah Co. Ltd at 31 December 2023.

	JPY	JPY
Issued share capital (ordinary shares of JPY 2.50 each)		250,000
Property, Plant & Equipment, at cost	200,000	
Provision for depreciation on Property, Plant & Equipment		40,000
Administration expenses	50,000	
Selling and distribution expenses	40,000	
Stock, 31 December 2022	10,000	
Purchases	75,000	
Sales		212,000
Investments at cost	174,500	
Investment income		2,000
10% Debentures		50,000
Debenture interest	5,000	
Bank overdraft		2,000
Trade debtors and trade creditors	20,000	10,000
Interim dividend paid	500	
Profit and loss account, 31 December 2022		10,000
	575,000	575,000

Additional information:

- (i) The company's policy provides for depreciation on Property, Plant & Equipment at the rate of 10% per annum on straight line basis.
- (ii) Provision for bad debts is to be made at 5% of Trade debtors.
- (iii) Outstanding salaries as at 31st December 2023 were as follows:
 - Directors' remuneration (administrative) JPY 4,000
 - Salaries for other administrative staff JPY 2,000
 - Salaries for selling and distribution staff JPY 1,500
- (iv) The corporation tax liability for the year ended 31st December 2023 is estimated to be JPY 1,500.
- (v) The directors have proposed to pay a final dividend of JPY 1,000 for the year to 31 December 2023.

- (vi) Stock is to be valued at the lower of cost or net realizable value on 31st December 2023 at JPY 9,000.

Required:

- a) Prepare a statement of comprehensive Income for the year ended 31st December 2023 showing relevant disclosures. **(13 Marks)**
- b) Prepare a statement of Financial Position as at 31st December 2023 clearly showing its appropriate elements. **(12 Marks)**

QUESTION TWO

- a) Compose six disclosures required to be made by an acquirer in a business combination as per relevant International Financial Reporting Standards. **(6 Marks)**
- b) Examine six accounting principles/concepts that underlie the preparation of financial statements by commercial enterprises. **(9 Marks)**

QUESTION THREE

- a) Demonstrate five ways through which a partnership may be dissolved. **(5 Marks)**
- b) Formulate procedural steps on the order of priority through which the estate of a person declared bankrupt by a court of law is distributed. **(10 Marks)**

QUESTION FOUR

- a) Propose five reasons that a judge in Kenya may rely upon in issuing a court order for the compulsory winding up of a company. **(5 Marks)**

- b) Fatuma, Faraja and Farida have been partners in business sharing profits and losses in the ratio of their fixed capital contributions. The following was their last Statement of Financial Position prepared prior to dissolution of the partnership:

Assets	USD	USD
Motor vehicle		14,000
Stock		5,000
Debtors		21,000
		40,000
Capital and Liabilities		
Partners' Capital Accounts:		
Fatuma	6,000	
Faraja	4,000	
Farida	2,000	12,000
Partners' Current Accounts:		
Fatuma	2,000	
Faraja	2,400	
Farida	1,600	6,000
Creditors		14,000
Bank Overdraft		8,000
		40,000

The partners heavily relied on one credit customer, Angela, whose credit limit was increased to the detriment of the partnership business. Angela owed the partnership USD 18,000. Angela has become insolvent and she is unlikely to pay any money owed by her to the partnership.

Fatuma, Faraja and Farida have reluctantly agreed to dissolve the partnership on the following terms:

- i) Stock is to be sold at USD 4,400
- ii) Motor vehicle will realize USD 8,000 except certain items with a book value of USD 4,000 which will be taken over by Fatuma at an agreed valuation of USD 7,000

- iii) All debtors except for Angela are expected to pay their accounts in full
 iv) The costs of dissolution are USD 1,000 and discount received from creditors amount to USD 600

Required:

Prepare the following accounts necessary for the dissolution of the Partnership in accordance with the provisions of the Partnership Act:

- (i) Partners' Capital Accounts (5 Marks)
 (ii) Realisation Account (5 Marks)

QUESTION FIVE

The following is the statement of financial position of Pakarashakara Ltd. prepared as at 31st December 2023.

	31 December 2023	31 December 2022
	Sh	Sh
Equipment at cost	120,000	110,400
Depreciation	(29,760)	(27,120)
	90,240	83,280
Stock	70,536	57,600
Debtors	19,920	20,160
Cash at Bank	44,424	21,840
	<u>225,120</u>	<u>182,880</u>
Issued share capital	110,400	86,400
Retained profit	44,160	36,000
10% Debentures	36,000	28,800
Taxation and interest payable	15,360	13,920
Creditors	16,320	15,360
Proposed dividends	2,880	2,400
	<u>225,120</u>	<u>182,880</u>

Additional information

- i) Equipment which had cost Sh 17,280 and whose total accumulated depreciation was Sh 10,080 was disposed of during the year ended 31 December 2023, receiving a cheque of Sh 12,000.

- ii) Total depreciation charged to the profit and loss account for the year ended 31 December 2023 amounted to Sh 12,720.
- iii) Proposed dividends, taxation and interest payable for a particular financial year, are paid four months after the year-end.

Required:

- a) Present the Cash flow statement of Pakarashakara Ltd. for the year ended 31 December 2023 as per the provisions of relevant accounting standards.
(10 Marks)
- b) Prepare disclosure notes and other workings to interpret the money values used in the Cash flow statement in (a) above.
(5 Marks)

QUESTION SIX

- a) The following balances were extracted from the books of Pioneer Pension Fund for the year ended 30th September 2023:

	Dr	Cr
	Sh	Sh
Payments to members	288,000	
Members' contributions		460,800
Payment for management expenses	86,400	
Interest on investment by fund		230,400
Fund Account		1,036,800
Cash balance	201,600	
Investment A/C	1,152,000	
	1,728,000	1,728,000

Required:

Prepare the following financial statements in accordance with the regulations of Retirement Benefits Authority (RBA):

- i) Income and expenditure account for the year ended 30th September 2023.
(4 Marks)
- ii) Balance sheet as at 30th September 2023.
(3 Marks)
- b) Financial statements though quantitative, should be accompanied by qualitative aspects to facilitate ease of usage by stakeholders. Examine four important qualitative characteristics of financial statements.
(8 Marks)