



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF HEALTH SCIENCES
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
4TH YEAR 2ND SEMESTER 2019/2020 ACADEMIC YEAR
MAIN CAMPUS

COURSE CODE: ABA 417

COURSE TITLE: Bankruptcy and Insolvency

EXAM VENUE:

STREAM: (BBA)

DATE:

EXAM SESSION:

TIME: 2 HOURS

Instructions:

1. Answer ALL questions in section A and ANY other 2 questions in section B
2. Candidates are advised not to write on the question paper.
3. Candidates must hand in their answer booklets to the invigilator while in the examination room

Question One

Hussein Mumia commenced business on 1st January 2008 with a capital of Kshs 400,000.

His profits for three years were Kshs.190, 000

Hussein did not prepare proper accounts for the next two years. His drawings averaged Kshs.40, 000 per annum

On 31st December 2013 an order of adjudication was made against him when his affairs were as follows;

	Kshs
Building cost Kshs 550,000 estimated to realise	400,000
Plant and machine cost Kshs 25,000 estimated to realise	
150,000	
Book debts: Good Kshs.40, 000, Doubtful Kshs.30, 000 estimated to realise Good	
10,000 and bad	
5,000	
Bills receivable discounted and expected to rank	
50,000	
Preferential creditors	
30,000	
Creditors partly secured (Security: life policy estimated to be worth 80,000)	
230,000	
Mortgage on buildings	
280,000	
Unsecured creditors	
400,000	
Household furniture	
20,000	
Household debts	
10,000	
Furniture: cost Kshs 100,000 estimated to realise	
60,000	
Stock: Cost Kshs 160,000 estimated to realise	
135,000	

Cash in hand

15,000

Required:

Prepare a balance sheet, statement of affairs and deficiency account from the above information as on 31st December 2013. Show your workings (30 marks)

Question Two

Explain the main components of the bankruptcy accounts (20 marks)

Question Three

Distinguish between Balance Sheet and statement of affairs in the context of bankruptcy accounts (20marks)

Question Four

(a) According to section 21 of the Act, the creditors can appoint a trustee of the property of the bankrupt after an adjudication order has been made by the court. Explain the duties of a trustee and mention three situations how he or she may be released from his duties (10 marks)

(b) Section 138(1) of the Act states that a bankrupt shall be guilty of in various cases. Briefly explain any five such cases (10 marks)