

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

MAIN EXAMINATION

BACHELOR OF BUSINESS ADMINISTRATION (WITH IT)

COURSE CODE: ABA 417 BANKRUPTCY AND INSOLVENCY

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO

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)