

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

UNIVERSITY EXAMINATION 2013

**4TH YEAR, SEM2 SEXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION [WITH IT]**

BUSIA LEARNING CENTRE

ABA 415 ADVANCED FINANCIAL ACCOUNTING II SEMESTER TWO

ANSWER QUESTION ONE AND AN OTHER TWO QUESTIONS

Q1 On 1 April 2013 S Ltd bought 75% of ordinary shares of M Ltd. They both prepare their final accounts as at 31. December yearly.

The balance sheets as at 31-12-2013 are shown.

After preparation of profit and loss accounts are shown bellow

	S Ltd	M Ltd
Non- current Assets	Kshs	Kshs
Land at cost	89,000	30,000
Buildings	100,000	120,000
Accumulate depreciation	(36,000)	(40,000)
Plant & Equipment at cost	102,900	170,00
Accumulation depreciation	(69,900)	(86,000)
Investments		
Shares in M	135,000	-
Fixed Assets		96,000
Current Assets		
Stocks	108,500	75,500

Debtors	196,700	124,800
Cash at bank	25,200	-
	651,400	490,300
Financed by		
Ordinary shares	200,000	120,000
Profit & loss account	154,000	85,000
Current liabilities		
Creditors	160,000	152,700
Bank overdraft	-	37,400
Co-operation tax	57,400	47,200
Proposed dividends	80,000	48,000
	651,400	490,300

Notes.

- Included in stock are goods worth shs 25,000 purchased by m from S. profit on the good was shs 5000
- Depreciation on plant and equipment is 10% stroughtline M Ltd purchase machinery from S Ltd on 1st July 2013. The cost of the machinery was kshs 10,000 including profit element of shs 2000 full year depreciation charge was made.
- Intergroup balances in accounts 31-12-2013
S Ltd – creditors to m shs 34,300
M Ltd- Debtors shs 45,6000
- Cheque for kshs 11,300 drawn by S on 28/12/2013 in favour of M had not been received.
- On 1st April 2013 profit on M account was sh 28,000. No adjustments had been made for cost of control.

Required

Group balance sheet as at

31-12-2013 (30 marks)

Q 2

- a. Explain the purpose of international accounting standards, (IAS) how do they differ from international financial reporting standards. (IFRS)
- b. What are the advantages and disadvantages of IFRS.

Q3 The trial balance of MATAYOS LTD as at 31 – 3 – 2014 is given as follows;
in kss

	Dr	Cr
	000	000
Administrative expenses	210	
Paid up share capital (ordinary shares 1 each)		600
Debtors	470	
Cash at hand and bank	180	
Corporation tax – 2013		205
Distribution costs	420	
Fixed assets investment	560	
Investment income		132
Plant and equipment at cost	750	
Profit & loss account – 1- April 2013		182
Purchases	960	
Accumulated depreciation (31 – 3 – 2014)		220
Trade creditors		261
Turn over net of VAT		1950
	3550	3550

Additional information

1. Stocks on 31.3.2014 was shs 150,000
2. The following items are already included in the trial balance as administrative expenses, straight-line 20% on cost Depreciation \$ 32,000 hire of plant shs 35,000, Auditors remuneration \$ 30,000 Directors remuneration shs 45,000.
3. Co-o
4. Corporation tax rate was 30% 182,600 was – 2014 year
5. Profit of shs 60,000 was made on disposal of branch operation in Kisii town. It was included the investment income.
6. The companies authorized share was 1,000,000 ordinary shares of \$ 1.
7. Final dividend of shs 0.5 per ordinary share was proposed.
8. The market value of fixed asset investment was shs 580,000.

Required prepare

Published balance sheets, profit & loss account including notes as at 31-3-2014. Inline with Kenya companies act and international accounting standards.

Q 4.

- a) Explain four differences between merger and acquisition accounting (4 marks)
- b) The accounts of company xyz Ltd and S Ltd as at 30.6.2014 are shown bellow

	XYZ LTD	Balance sheet
	Dr	Cr
16,000 ordinary shares of sh 5 each		80,000
Reserves		20,000
Current liabilities		50,000

Fixed Assets	50,000	
Current Assets	100,000	
Total	150,000	150,000

S LTD Balance sheet

	Dr	Cr
5000 Ordinary shares of shs10 each		50,000
Reserves		10,000
Current liabilities		50,000
Fixed Assets	40,000	
Current Assets	70,000	
	110,000	110,000

XYZ Ltd acquired all shares of S by issuing and exchanging two shares of XYZ for one share of S. The market price of company shares XYZ was shs 10, and company S. Sh 4. value of fixed assets was shs 50,000 in S LTD

1. Draw consolidated accounts on merger basis for the combination
2. Draw consolidated accounts on acquisition accounting basis

Q 5

Obuya Nyangera women group is a CBO that use fund accounting model to main its accounts. It was incorporated on 1-7-2013. The women group depends on project grants and general fund raising to run its affairs. During the fiscal 1st July 2013 to 30th June 2014 it had the following transactions

1. The CBO received a donation of Kshs 400,000 from a well wishers during the year, they purchased computer shs 50,000, two office desks 30,000 and six chairs shs 10,000
2. Received a grant of ksh 200,000 to spend on HIV/AIDS programme which was deposited to HIV/AIDS bank account.
3. Members paid in kshs 50,000 as subscriptions

4. Grant of kshs 1,500,000 was received to provide safe drinking water in the community. Bank water project account was credited..
5. Spent on HIV/AIDS programme –shs 48,000, on HIV food supplement kshs 22000 – training people on HIV counseling shs 23,000, treatment 60,000, stationary kshs 15000, communication shs 27,000 Bank charges 8,000 .
6. Safe drinking water project involved , putting up water plant, purchase of pipes and related materials shs 873,000 labourer 400,000. Overheads 27,000.
7. The CBO held a fund raising activity which generated kshs 43,000. Fund raising expenditure was kshs 20,000.
8. The general expenses for the CBO were labour kshs 47,000. General over heads 28,000.
9. Accrual accounting was not applied.
10. . Required
 - a. Record all relevant bank accounts for the funds
 - b. General fund activity account
 - c. Fixed asset listing