



**UNIVERSITY EXAMINATION
RESIT/SUPPLEMENTARY / SPECIAL EXAMINATIONS
EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE
(FINANCE OPTION)**

BCOM 437: CORPORATE FINANCIAL REPORTING

STREAMS:

TIME: 2 HOURS

DAY/DATE: THURSDAY 04/11/2021

2.30 P.M - 4.30 P.M.

INSTRUCTIONS

- Answer Question one and any other two questions

QUESTION ONE

Jeddy Limited is a company quoted at the securities exchange. The following trial balance was extracted from the books of the company as at 31 October 2018:

	Sh. 'million'	Sh. 'million'
Ordinary share capital (Sh. 10 each)		150
8% Preference share capital (Sh. 10 each)		50
Revaluation reserve - property, plant and equipment		25
Share premium		50
Retained profits as at 31 October 2013		166.75
Intangible assets	107.75	
Property, plant and equipment	300	
Accumulated depreciation as at 1 November 2013		62.25
Trade receivables and trade payables	159	48.75
Bank overdraft		25.5
Inventory as at 1 November 2013	163	
Purchases	380	
Cash in hand	2.5	
Sales		763
Administrative expenses	79	
Selling and distribution expenses	58.5	
Legal and professional expenses	27	
Allowance for doubtful debts (1 November 2013)		3
Financial assets at fair value	62.5	
Deferred tax		10
Instalment tax paid	15	
	<u>2,708.5</u>	<u>2,708.5</u>

Additional information;

1. The intangible assets are being amortised over 5 years with the expense to be

shown under cost of sales.

2. Property, plant and equipment is made up of the following:

Asset	Cost/valuation "million" Sh.	Accumulated depreciation Sh. "million"
Land at cost	125	-
Buildings	37.5	7.5
Plant and equipment	75	34.25
Furniture and fixtures	25	8
Motor vehicles	<u>37.5</u>	<u>12.5</u>
	<u>300</u>	<u>62.25</u>

Depreciation is charged as follows:

Buildings 2% on cost (included with administrative expenses).
Plant and equipment 8% on cost (included with cost of sales)
Furniture and fixtures 10% on cost (included with administrative expenses).
Motor vehicles 20% on the reducing balance charged as follows: 25% administrative expenses and 75% selling and distribution expenses.

3. Sh. 5 million should be transferred from the revaluation reserve to retained profits.
4. Allowance for doubtful debts is to be increased to Sh. 9 million.
5. The financial assets at fair value are held for the long-term. Their market value as at 31 October 2014 is Sh. 65 million.
6. Inventory as at 31 October 2014 is valued at Sh.203 million.
7. The company issued 10,000 ordinary shares whose par value sh 10 at sh 15 each.

Required;-

The following statements for Zeddy Limited in a format suitable for publication:

- a) Income statement for the year ended 31 October 2014. (15 marks)
- b) Statement of changes in equity for the year ended 31 October 2014. (5 marks)
- c) Statement of financial position as at 31 October 2014. (10 marks)

QUESTION TWO

a) A company reports a/c profit after tax of sh.1.2m on each year from 2016 to 31/12/2018. The company had purchased an item of plant at sh.800, 000 on 1st Jan 2016. Depreciation is on straight line at rate of 25% per annum while wear and tear capital allowance is at 20% on the cost per annum.

Tax is at 30%

Required: Deferred tax account (12 marks)

b) Differentiate between Ordinary share and Preference shares (8 marks)

QUESTION THREE

A) H Ltd Acquired S Ltd a few years ago when the Capital and Retained profits stood at £10,000 and £12,000 respectively.

The following balance sheets relate to the two companies as at 30 June 20X3.

	H Ltd		S Ltd	
Non Current assets	£	£	£	£
Tangible - PPE		100,000.00		80,000.00
40,000 Ordinary shares in S Ltd		60,000.00		80,000.00
		160,000.00		80,000.00

Current assets

Inventory	6,000.00	16,000.00	
Accounts receivables	40,000.00	34,000.00	
Cash at bank	4,000.00	50,000.00	-
TOTAL ASSETS		<u>210,000.00</u>	<u>130,000.00</u>
Ordinary Shares of £1 each		90,000.00	50,000.00
Capital Reserves		24,000.00	10,000.00
Retained profits		60,000.00	46,000.00
		<u>174,000.00</u>	<u>106,000.00</u>
Current Liabilities			
Accounts Payable		36,000.00	24,000.00
		<u>210,000.00</u>	<u>130,000.00</u>

Prepare the consolidated balance sheet of H Ltd and its Subsidiary S Ltd as at 30 June 20X3

(20 marks)

QUESTION FOUR

- Explain three professional ethical issues in the practice of accounting (3 marks)
 - Explain why a regulatory framework is needed, also including the advantages and disadvantages of IFRS over a national regulatory framework (7 marks)
 - Describe the IASB's standard-setting process (10 marks)
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