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(University of Choice)

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND
TECHNOLOGY
(MMUST)**

MAIN/BUNGOMA/WEBUYE/NAIROBI CAMPUS

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

THIRD YEAR SPECIAL/SUPPLIMENTARY EXAMINATIONS

**FOR THE DEGREE
OF**

BACHELOR OF SCIENCE IN ACCOUNTING

COURSE CODE: BCA 305

COURSE TITLE: CORPORATE FINANCIAL REPORTING

DATE: WEDNESDAY, 27TH JULY 2022

TIME: 8-10 AM

INSTRUCTIONS TO CANDIDATES

Answer **QUESTION ONE** and **ANY OTHER TWO** questions.

TIME: 2 HOURS

MMUST observes **ZERO** tolerance to examination cheating

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QUESTION ONE (30 Marks)

- Corporate financial reporting aims at providing useful information to users of financial statements to aid them in making economic decisions. Discuss different users of financial reports.(12 marks)
- The Conceptual framework for Financial Reporting 2018 as revised by IASB talks about various qualities of financial information that are critical in aiding decision making. Discuss atleast four qualities of financial information(8 marks)
- Environmental and sustainability reporting are gaining ground among corporates. Discuss the importance of such information in financial reporting.

QUESTION TWO (20 Marks)

Standard setting is a process that is aimed at developing good accounting standards for enhancing the financial reporting that promotes transparency and accountability in the stewardship of organizations globally. The International Accounting Standards Board undertakes standard setting.

- Discuss the process of standard setting as outlined by IASB(12 marks)
- List the benefits of adoption of International Financial Reporting Standards(IFRSs) by various countries in the world.

QUESTION THREE (20 Marks)

Baraza group has prepared the following financial statements:

Statement of profit or loss for the year ended 30 April 2015:

	Sh. 'million'	Sh. 'million'
Revenue		25,725
Cost of sales		<u>(17,150)</u>
Gross profit		8,575
Investment income		50
Gain on sale of subsidiary		<u>295</u>
		8,920
Expenses:		
Administration expenses	1,480	
Distribution costs	3,915	
Finance cost	<u>340</u>	<u>(5,735)</u>
Profit before tax		3,185
Income tax expense		<u>(1,010)</u>
Profit for the period		<u>2,175</u>
Attributable to: Parent		2,045
Non-controlling interest		<u>130</u>
		2,175

Statement of financial position as at:

	30 April 2015		30 April 2014	
	Sh. 'million'	Sh. 'million'	Sh. 'million'	Sh. 'million'

Assets:				
Non-current assets:				
Property, plant and equipment		2,730		2,600
Goodwill		120		240
Financial assets at fair value		<u>70</u>		<u>45</u>
		2,920		2,885
Current assets:				

Inventory	3,115		4,210	
Receivables	1,770		2,395	
Cash in hand	<u>355</u>	<u>5,240</u>	<u>295</u>	<u>6,900</u>
Total assets		<u>8,160</u>		<u>9,785</u>
Capital and liabilities:				
Ordinary share capital (Sh.10 par value)		1,500		1,500
Revaluation reserve:				
Property, plant and equipment		750		850
Financial assets		5		-
Retained profits		<u>2,830</u>		<u>1,685</u>
Shareholders' funds attributable to parent		<u>5,085</u>		<u>4,035</u>
Shareholders' funds attributable to non-controlling interest		<u>940</u>		<u>1,360</u>
		<u>6,025</u>		<u>5,395</u>
Non-current liabilities:				
8% loan stock	-			1,000
Obligations under finance lease	200			240
Deferred tax	<u>320</u>			<u>480</u>
		<u>520</u>		<u>1,720</u>
Current liabilities:				
Bank overdraft	30		615	
Payables	1,405		1,890	
Obligations under finance lease	140		120	
Current tax	<u>40</u>	<u>1,615</u>	<u>45</u>	<u>2,670</u>
Total capital and liabilities		<u>8,160</u>		<u>9,785</u>

Additional information;

1. During the year, the group sold Salama Limited, a 75% held subsidiary. The following assets and

liabilities were available in Salama Ltd. as at the date of sale:

	Sh. 'million'
Property, plant and equipment	660
Inventory	965
Receivables	560
Cash in hand	140
Payables	405
Current tax	20

Salama Limited was acquired several years ago at a total cost of Sh.900 million when the net assets were Sh. 1,000 million. On the date of disposal, the goodwill of Salama Limited was 80% impaired.

2. The group also sold some items of plant during the year at Sh. 125 million. The book value of the

items of plant was given as Sh.65 million.

3. The group purchased other items of property, plant and equipment at a total cost of Sh. 1,215 million of which Sh.300 million was by means of finance leases.

