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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2019/2020 ACADEMIC YEAR
FOURTH YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)**

Date: 8th April, 2019
Time: 11.00am – 1.00pm

KAC 400 - ADVANCED FINANCIAL ACCOUNTING PRACTICE

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Discuss five types of borrowing costs/ (8 Marks)
- b) Explain the following terms as used in foreign branches
- i) Monetary items (2 Marks)
 - ii) Foreign currency (2 Marks)
 - iii) Exchange difference (2 Marks)
- c) Malimali Ltd presents its financial statements Using Kenya Shillings (kshs). On 1st November 2016, Malimali Ltd purchased goods worth US dollars 30,000 from a foreign supplier and paid Us dollars 20,000 on 1st December 2016. The balance due to the supplier as at 31st December 2016 was US dollar 10,000.

The exchange rates of the two currencies are as follows

Date	Kshs/ 1 US DOLLAR
1/11/16	90
1/12/16	92
31/12/16	93

Required

- a) Calculate the exchange difference to be recognized in the financial statements of Malimali Ltd. (8 Marks)

- b) Explain how the exchange difference above will be recognized in the financial statements of Malimali Ltd (4 Marks)
- c) IFRS 3 requires enterprises to disclose information that enables the user of financial statements to evaluate changes in the carrying amount of goodwill during the period. Explain four of the information to be disclosed (4 Marks)

QUESTION TWO (20 MARKS)

- a) Explain the term “value added statement” (3 Marks)
- b) Use the information below to compute the value added.

	Shs (Millions)
Sales revenue	1000
Cost of goods and services	200
Employee benefits	250
Creditors and lenders	100
Tax	100
Depreciation and expenses of business	350

- (6 Marks)
- c) Explain four approaches to the development and valuation of Human resources (11 Marks)

QUESTION THREE (20 MARKS)

- a) Mints limited’s tangible assets appeared as 350 million in the balance sheet as at 31st December 2018. The value of the same assets net of sell cost is shs 300m. The depreciation charge is 10% on straight line and retained profit for the year is shs 2000 million. No adjustment for impairment loss has been made. Accumulated depreciation is shs 175 million.

Required;

Extracts of the income statement and statement of financial position for the year ending 31 December 2018

- (10 Marks)
- b) Discuss the internal and external indicators of assets impairment (10 Marks)

QUESTION FOUR (20 MARKS)

- a) Explain two methods of translating financial statement of foreign operations into a presentation currency of the reporting entity. (10 Marks)
- b) The following information relates to South and End Ltd for the year ended 31st December 2008.

	Shs (000)	Shs 000
Cash and cash equivalent: Jan 2008		10043
: Dec 2008		8952
Operating profit	4100	
Depreciation charges	1080	
Proceeds of sale of tangible assets book value 116,000	96	
Increase in working capital	165	
Issuance of ordinary share capital	400	
Expenses in connection with shares	10	
Purchase of intangible fixed assets	150	
Purchase of tangible fixed assets	2540	
Corporation tax paid	2460	
Dividends paid	1570	
Interest received	2290	

Required

Prepare a cash flow for the year ended 31/12/2008 (10 Marks)

QUESTION FIVE (20 MARKS)

- a) Identify six areas in which corporate social objectives may be found. (10 Marks)
- b) Explain the rules applied in evaluation of fixed assets. (6 Marks)
- c) Discuss three types of intangible assets. (4 Marks)