



OFFICE OF THE DEPUTY VICE CHANCELLOR
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2023/2024 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER REGULAR/MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 305

COURSE TITLE: PENSION ACCOUNTING

DATE: 23RD APRIL 2024

TIME 9.00 A.M TO 12.00 P.M

INSTRUCTION TO CANDIDATES

- SEE INSIDE
- PLEASE TURN OVER

QUESTION ONE (30 MARKS)

In line with vision 2030 state FIVE roles of Retirement Benefit Schemes in Kenya (10 marks)

(b) The following is the trial balance of Civil Servants Pension Fund as at 31 March 2023:

	Sh 000	Sh 000
Accumulated fund as at 1 April 2022		3,245
Land and buildings in the Central business district	2,000	
Pensions	390	
Income from fixed return securities		580
11% Treasury Stock	400	
Freehold Property (Developed with rental income housing units)	2,200	
Employers normal contribution		980
Employees additional voluntary contributions		200
Administration expenses	150	
Claims received on term insurance policies		21
Premiums paid on term insurance policies	49	
Term insurance policies	400	
Employers additional contributions		25
Employers normal contributions		300
Unpaid benefits		30
Group transfers in from other schemes		75
Individual transfers out to other schemes	5	
Debtors on investment transactions	16	
Commutation of pensions and lump sum retirement benefits	15	
Dividends received from equity investments		400
20,000 ordinary shares in Flamingo Airways	200	
Individual transfers in from other schemes		14
Income from unit trusts		70
Rental income from property		45
Group transfers out to other schemes	40	
Cash and demand deposits	35	
Tax paid on fund income	460	
Ksh.250, 000 loan stock in KVM	200	
Death benefits paid	15	
Creditors for investment transactions		22
Refund of contributions	28	
Investment in unit trusts	350	
Loan from HFCK to develop Property		1,000
Contributions due within 30 days	56	
Shares in Moyalematt Ltd 2.00		<u>2</u>
	<u>7,009</u>	<u>7,009</u>

Notes:

The fund owned 12,000 shares in Moyalematt, which were initially purchased for Shs.14, 000. These have been disposed of during the year. The only entries made in the books were in a debtor account and investment account since the shares are yet to be paid for.

The trustees felt the need to reflect the following market prices in the financial statements:

Loan stock in KVM – Market price index – 84.00

Shares in Flamingo Airways -Sh.9.75 per share.

Required:

- (i) Statement of changes in net assets for the year to 31st October 2023. (10 Marks)
- (ii) Statement of net assets as at 31 October 2023. (10 Marks)

QUESTION TWO

The following trial balance was extracted from the accounting records of the XYZ Retirement Benefits Scheme for the year ended 30 September 2023.

	Sh. '000'	Sh. '000'
Accumulated fund as at 1 October 2022		461,560
Accrued expensed		240
Administrative expenses	2,840	
Cash and demand deposits	23,460	
Change in market value of investments	22,640	
Commutation and lump sum retirement benefits	4,820	
	4,940	
Contributions due within 30 days		36,480
Employer normal contributions		3,150
Individual transfers in from other schemes	1,860	
Individual transfers out to other schemes		47,400
Investment income	132,320	
Immovable property	263,605	
Kenya Government securities		18,240
Members' nominal contributions		4,560
Members' additional voluntary contributions	7,640	
	87,835	
Pensions		320
Quoted equity investments	<u>19,990</u>	
Unpaid benefits	571,950	571,950
Unquoted equity investments		

Required:

- (a) The statement of Changes in Net Assets (the Fund Account) for the year ended 30 September 2023. (12 Marks)
- (b) Statement of Net Assets as at 30 September 2023, in accordance with International Accounting Standard 26 (Accounting and reporting by Retired Benefit Plans). (8 Marks)

QUESTION THREE

- (a) State FIVE limitations of the current pension's scheme in Kenya. (10 Marks)
- (b) Explain Governance challenges facing the Pension Schemes industry in Kenya. (10 Marks)

QUESTION FOUR

- (a) Highlight the investment choices for pension funds as shown by the RBA Act. (10 Marks)
- (b) State the roles of an Actuary in the Administration of pension schemes. (10 Marks)

QUESTION FIVE

The following account balances were extracted from Kenya Power Pension Fund Annual Report & Financial Statement for the year 2020.

Kenya Power Pension Fund Statement of Changes In Net Assets Year Ended 31.12.20

	Sh 000	Sh 000
	2019	2020
Contribution receivable	1448280	1516770
Benefits payable	-757511	-1003922
Investment	040705	000000

Inventory	2707552	2707552
Government securities	4781292	6662601
Short-term deposits	399427	656966
Corporate bonds	550605	841531
Quoted Equity	3068867	3795420
Unquoted Equity	491044	548981
Off-shore	243043	215538

Other Assets

Bank & Cash Balances	130726	138513
Due from related parties	61150	(-)
Other receivables	795234	973356
Tax recoverable	2788	(-)
Total Assets	14268338	17362856

LIABILITIES

Benefits payable	-25877	-58017
Accruals	-41890	-62732
Tax payable	(-)	-6050
Total Liabilities	-67767	-189380

NET ASSETS	14200236	16576189
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MEMBERS FUND

	Sh 000
Fund Balance as at 1.1.20	14200236
Adjustments due to policy changes	(-)
Restated	(-)
Net assets for the year	<u>2375954</u>
Fund Balance 31.12.20	16576189

Additional Information

- Cumulative gains and losses as a result of fair valuation of assets and disposal recognised in the statement of net changes amounted to Sh 1,177,000,000 and 31,866,000 respectively.
- Net working capital changes amounted to Sh 1,891,000 decrease.
- Tax paid was sh 7,498,000
- Net cash used in investing activities is an outflow of shs 973 753 000

Required;

Extract the Kenya Power Pension Fund statement of cash flows. (20 Marks)