



OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2019/2020 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER REGULAR EXAMINATION

FOR THE BACHELOR OF SCIENCE IN BUSINESS
MANAGEMENT

COURSE CODE: BBM 305

COURSE TITLE: PENSION ACCOUNTING

DATE: 6th November 2020

TIME: 9.00AM-12.00Noon

INSTRUCTIONS TO CANDIDATES

- SEE INSIDETHIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER



MAIN EXAM

COURSE CODE: BBM 305: PENSION ACCOUNTING

STREAM: BBM

DURATION: 3 HOURS

INSTRUCTIONS TO CANDIDATES

- i. Answer three questions. Question one is compulsory
- ii. Do not write on the question paper

Question One (30 Marks)

The following is the trial balance of Busia County Assembly Pension Fund as at 31 March 2018:

	Sh 000	Sh 000
Accumulated fund as at 1 April 2017		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:he 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:

- (a) Statement of changes in net assets for the year to 31 October 2018. (12 marks)
- (b) Statement of net assets as at 31 October 2018. (10 marks)
- (c) Distinguish the TWO types of pension Schemes. (8 marks)

Question Two

(20 Marks)

The following trial balance was extracted from the accounting records of the XYZ Retirement Benefits Scheme for the year ended 30 September 2019.

	Sh. '000'	Sh. '000'
Accumulated fund as at 1 October 2018		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	
Contributions due within 30 days	4,940	
Employer normal contributions		36,480
Individual transfers in from other schemes		3,150
Individual transfers out to other schemes	1,860	

Investment income		47,400
Immovable property	132,320	
Kenya Government securities	263,605	
Members' nominal contributions		18,240
Members' additional voluntary contributions		4,560
Pensions	7,640	
Quoted equity investments	87,835	
Unpaid benefits		320
Unquoted equity investments	<u>19,990</u>	
	571,950	571,950

Required:

The statement of Changes in Net Assets (the Fund Account) for the year ended 30 September 2000 and a statement of Net Assets as at 30 September 2019, in accordance with International Accounting Standard(IAS) 26 (Accounting and reporting by Retired Benefit Plans)

Question Three

- Discuss the role of pensions in the socio-economic development of a country (10 marks).
- Explain the role of trustees in the management of a Retirement Benefits Scheme(10 marks)

Question Four (20 MARKS)

The Kenya Power & Lighting Company Limited, Staff Retirement Benefits Scheme 2006 ("the Fund") was established by a Trust Deed and started operations on 1 July 2006. The comparative Financial statements for the years 2018-2019 are as follows. You are required to extract a *statement of cash flows available for benefits* for the reporting year.

Kenya Power Pension Fund Financial**Statement of changes in Net Assets available for Benefits**

	2018 <u>Kshs '000'</u>	2019 <u>Kshs '000'</u>
Contributions receivable	678,317	820,499

Benefits payable	(27,496)	(37,910)
Net surplus from dealing with members	650,821	782,589
Returns on Investments	(156,911)	950,795
Net returns on investments	940	-
Other income	(21,395)	(22,323)
Administrative expenses	(2,683)	(5,990)
Taxation Charge	(2,683)	(5,990)
Increase in Net Assets for the Year	470,772	1,705,071

Kenya Power Pension Fund

Statement of Net Assets available for Benefits

	2018 Kshs '000'	2019 Kshs '000'
ASSETS		
Investments & Property	3,402,474	5,114,648
Other assets	3,469,232	72,488
Total assets	6,871,706	5,187,136
Liabilities	412	293
Benefits payable	12,126	23,572
Other Liabilities	2,684	4,191
Tax Payable	15,222	28,056
Total Liabilities	3,454,010	5,159,080
Net Assets available for Members	3,454,010	5,159,080
Represented by Members Funds	3,402,474	5,114,648

Question Five

- a) Show the procedures for constituting a retirement benefits scheme as per the law of the retirement benefits Act of the laws of Kenya. (10 marks).
- b) Explain the role and mandate of the retirement benefits Authority in Kenya (10 marks)
