Pan Africa Christian University

Bachelor of Business Leadership

End of Semester Examination

BUA 4113: Financial Accounting IV - ONLINE

Day: Friday

Time: 2pm - 5pm

Instructions:

- Answer Question ONE and ANY other THREE Questions.
- Show all your workings
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

Question One

a. **Ben Plc**., granted **10,000** cash settled share based payments to its **20 directors** on **1st January 2023**. The options vest on **31st December 2025**. It is anticipated that none of the directors will leave over the three year period.

Date	**Share Price (Sh.)**
1st January 2023	12.0
31st December 2023	13.50
31st December 2024	13.80
31st December 2025	14.20

Required

Determine the increase or decrease in the share based payment liability of **Ben Plc**., for the year ended **2023, 2024** and **2025** **(10 marks)**

b. Explain the following terms and give an illustration for each:
i) Performance Obligation **(3 Marks)**
ii) Deferred tax liability **(3 Marks)**

c. Within the context of financial instruments**,** explain the **two-test criteria** approach **(4 Marks)**

d. Explain **THREE** types of capital within the context of integrated reporting **(6 Marks)**

e. e) Goma Plc., had **200,000 ordinary shares** outstanding on **1st January 2025.** On **31st July 2025**, the company issued **120,000 new ordinary shares**. On **31st October 2025,** the company issued **72,000 new ordinary shares**.

Required

Determine the weighted average number of ordinary shares of **Goma Plc**., as at **31st December 2024** **(4 Marks)**

Question Two

Kayamba Plc., bought a debenture off the market with a normal value of **sh 1,000 million**. The coupon rate is **10%** but the market demands a return of **8%.** The loan has **3 years** to run and **Kayamba Plc.,** intends to hold the debenture **until it matures.**

Required

a. Assess the financial asset classification and determine the value of this financial asset that will be recognized in the books of **Kayamba Plc., at the onset** (**4 marks)**

b. Prepare an amortization schedule for this financial asset in **Kayamba Plc**., books (**6 marks)**

Question Three

a. State and explain any **FIVE** fundamental ethical principles in financial reporting for a listed manufacturing company. **(5 Marks)**

b. Explain any **FIVE** threats to the fundamental ethical principles discussed in **'a' above** **(5 Marks)**

Question Four

Limpopo Holdings, bought a machine on **1st January 2021** for **Sh. 1,200,000**. It had a useful life of **8 years** and it was to be depreciated on a straight line basis. The following are the details for the **years 2021 to 2025** pertaining to the **Profit Before Tax (PBT**) and the capital allowances of the machine (as agreed with the tax authority):

	2021	**2022**	**2023**	**2024**	**2025**
	Sh. '000'	**Sh. '000'**	**Sh. '000'**	**Sh. '000'**	**Sh. '000'**
Capital Allowances	380	250	200	180	120

The corporation tax rate is **30%.**

Required

a. Compute the deferred tax liability (or asset) in **Limpopo Holdings**, for the years **2021 to 2025** **(7 Marks)**
b. Determine the increase or decrease in the deferred tax liability (or asset) in **Limpopo Holdings**, for the years **2021 to 2025** **(3 marks)**

Question Five

Newport Plc., entered into a signed agreement with a client to sell an office communications system including a two-year repair and maintenance package for **Sh. 20,000**. The price of an office communications system without the repair and maintenance contract is **Sh. 18,000** and the price to renew a two-year maintenance package is **Sh. 4,000**.

Note: Ignore any discounting and time value of money.

Required

a. Determine whether a contract exists **(2 Marks)**
b. With reference to the revenue recognition model, explain how Newport Plc., should recognize the revenue **(8 Marks)**