



**STRATHMORE BUSINESS SCHOOL**  
**BACHELOR OF FINANCIAL SERVICES**  
**END OF SEMESTER EXAMINATION**  
**BNK 3201: BANKING FINANCIAL REPORTING AND ANALYSIS**

**DATE:** Tuesday, 3<sup>rd</sup> December 2024

**TIME:** 08:00 – 10:00

**Instructions**

1. This examination consists of **FIVE** questions.
2. Answer **QUESTION ONE** and **ANY OTHER TWO** questions.

**QUESTION ONE**

**(30 marks)**

- a. XE Bank Ltd., a registered commercial bank, prepares its accounts to 30 June each year. The trial balance of the bank as at 30 June 2024 was as follows:

	<b>Sh.'000'</b>	<b>Sh.'000'</b>
Treasury bills	2,344,000	
Loans to customers	5,946,400	
Other money market placements	34,600	
Property, plant and equipment	1,008,000	
Cash and balances with the Central Bank	1,257,000	
Interest on loans		870,800
Interest on treasury bills and bonds		476,400
Foreign exchange income		144,000
Fees and commissions income		340,400
Deposits with other banks	230,000	
Other fixed assets	64,000	
Interest on placements and bank balances		72,000
Non-operating income		34,000
Customers' deposits		8,480,000
Deposits and balances due to other banks		430,000
Depreciation charges	84,000	
Directors emoluments	25,000	
Bad and doubtful debts	68,000	

Interim dividends paid	50,000	
Salaries and wages	590,000	
Interest on borrowed funds	70,000	
Interest on customer's deposits	230,000	
Ordinary share capital		500,000
Auditors fees	7,000	
Contribution to staff pension scheme	29,000	
Administrative expenses	285,000	
Loss on sale of fixed assets	43,600	
Reserves		1,058,000
Legal fees	<u>40,000</u>	
	<u>12,405,600</u>	<u>12,405,600</u>

**Additional information:**

1. Current tax has been estimated at Sh.200,000,000
2. A final dividend of 15% has been proposed.
3. Unrecorded accrued interest expense on customers' deposits at 30 June 2024 was sh.70,000,000.
4. Interest income on loans and advances to customers of Sh.150,000,000 at 30 June 2024 was omitted from the books.

**Required:**

- i. Profit and loss account for the year ended 30 June 2024. **(9 marks)**
  - ii. Statement of financial position as of 30 June 2024. **(9 marks)**
- b. Discuss with example in each case, the **SIX** capitals under the Integrated Reporting. **(12 marks)**

**QUESTION TWO (20 Marks)**

Pambazuko bank Ltd acquired 75 per cent of the 50 000 shares in Simba bank Ltd on 1 January 2023 when Simba bank Ltd had retained earnings of Sh.15 000. The market price of Simba's shares just before the date of acquisition was Sh.1.60. Pambazuko values the non-controlling interest at fair value. Goodwill is not impaired. The statements of financial position of Pambazuko bank Ltd and Simba bank Ltd at 31 December 2023 were as follows:

	Pambazuko	Simba
	Sh.	Sh
Property, plant and equipment	60,000	50,000
Investment in S's shares	<u>68,000</u>	
	128,000	50,000
Current assets	<u>52,000</u>	<u>35,000</u>
	<u>180,000</u>	<u>85,000</u>
Share capital	100,000	50,000
Retained Earnings	<u>70,000</u>	25,000
	170,000	75,000

Current liabilities	10,000	10,000
	<u>180,000</u>	<u>85,000</u>

Prepare the consolidated statement of financial position of the Pumziko bank Ltd as at 31 December 2023. **(20 marks)**

**QUESTION THREE** **(20 marks)**

Given below is the summarized Profit and Loss Account of Brown Ltd:

	Notes	Amount (Ksh"000"
<b>Income</b>		
Sales	1	28,525
Other income		<u>756</u>
		<u>29,281</u>
<b>Expenditure</b>		
Operating cost	2	25,658
Excise duty		1,718
Interest on Bank overdraft	3	93
Interest on 10% Debentures		<u>1,157</u>
		<u>28,628</u>
Profit before depreciation		655
Less Depreciation		(255)
Profit before tax		400
Tax	4	<u>(275)</u>
		125
Less transfer to Fixed Asset Replacement Reserve		<u>(25)</u>
		100
Less dividend paid and payable		<u>(45)</u>
Retained Profit		55

**Notes**

1. This represents the invoice value of goods supplied after deducting discounts, returns and sales tax
2. Operating cost includes Ksh"000" 10,247 as wages, salaries and other benefits to employees.
3. The bank overdraft is treated as a temporary source of finance.
4. The charge for taxation includes a transfer of Ksh "000" 45 to the credit of differed tax account.

**You are required to:**

- a) Prepare a value-added statement for the year ended 31<sup>st</sup> March, 2024 **(13 marks)**
- b) Reconcile total value added with profit before taxation **(7 marks)**

**QUESTION FOUR****(20 marks)**

- a. The Central Bank of Kenya (CBK) released a draft Climate Risk Disclosure Framework for commercial banks in August 2024, inviting public review and feedback. What are the **FOUR** main objectives of this framework? **(12 marks)**
- b. Discuss **FOUR** key differences between operating leases and finance leases as defined under IFRS 16. **(8 marks)**

**(Total marks 20)****QUESTION FIVE****(20 marks)**

- a) The issue of the regulation of accounting became important, especially after the economic crash of 1929. Discuss how the economic crash led to the regulation of accounting practice. **(6 marks)**
- b) Discuss **four** defects of the financial accounting information. **(8 marks)**
- c) Describe **three** criticisms that have been levelled against the IASB Conceptual framework for financial reporting. **(6 marks)**